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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

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22 February 1985

**EAST EUROPE REPORT**  
**ECONOMIC AND INDUSTRIAL AFFAIRS**

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INTERNATIONAL AFFAIRS

CEMA SECRETARY COMMENTS IN WARSAW ON ECONOMIC INTEGRATION AIMS

Warsaw RZECZPOSPOLITA in Polish 21 Dec 84 pp 1, 7

[Interview with Professor W. Syczew, CEMA secretary, by Tomasz Bartoszewicz:  
"Socialist Economic Integration"]

[Text] A RZECZPOSPOLITA journalist interviewed Professor Wiaczeslaw Syczew, secretary of the Council of Economic Mutual Assistance (CEMA), during his visit in Poland, on the role and position of CEMA and its secretariat in implementing socialist economic integration.

[Mr Syczew] Perhaps we should start by recalling for the readers of RZECZPOSPOLITA a few figures that characterize CEMA and the position of CEMA member countries in the world.

CEMA includes 10 countries of Europe, Asia and Latin America. These occupy approximately 19 percent of the earth's surface, include approximately 10 percent of world population, have approximately 1/4 of the world national income and account for approximately 1/3 of world industrial production. In the course of 35 years of its existence, CEMA has gone a long way and today commands a powerful and dynamic economic force.

[Question] You direct the work of the CEMA secretariat. Can you tell us how many persons work in the secretariat, what is its structure and, briefly, what this organization does?

[Answer] The CEMA secretariat is an international unit comprised of several hundred highly qualified specialists from all member countries. It is made up of sections that can be conventionally divided into: general (for example, the economic section, the section on scientific-technical cooperation), branch (involved with specific production branches) and functional (as for example, the foreign trade section, the currency-financial section and the legal section).

In order to discuss the work of the secretariat, I will review the structure of CEMA. The highest statutory organ is the Council session that meets once a year at the level of premiers of member countries. In the period between sessions, the principal executive organ is the executive committee made up of representatives of the member countries of vice-premier rank.

There are many different CEMA organs. These are:

- three committees (for matters of cooperation in the area of planning, scientific-technical cooperation and cooperation in the area of material supplies); at present, in keeping with the decision of the last, the 39th session of the Council in Havana, the organization includes still another very important committee, the committee for matters of cooperation in the area of the machine industry;
- a significant number of standing committees dealing with cooperation in specific branches of the national economy, foreign trade, currency-financial problems, etc.;
- a number of so-called permanent councils, for example, the permanent council for legal affairs.

The Council secretariat is an organizational-economic organ that ensures the proper functioning of the permanent organs. Consequently, the structure of the secretariat conforms to the structure of the CEMA representative organs.

[Question] As is evident, the work of all the CEMA organs is concentrated today on implementing the decisions adopted during the economic conference at the highest level which took place in Moscow in June of this year. What is the role of the secretariat in this work?

[Answer] The conference defined the long-term strategy of economic and scientific-technical cooperation of member countries. For this reason, actually the work of all the organs of the Council, including the secretariat, is subordinate at present to one: the most complete and rapid implementation of the historical decisions adopted by the conference. The declaration and proceedings of the conference were published in the press and contain a whole series of immeasurably important resolutions.

I would like to give a concrete example of the work of the CEMA secretariat that has as its purpose the implementation of decisions adopted at the conference.

It was resolved there specifically to accelerate the development of a comprehensive program of scientific-technical progress of CEMA member countries over a 15-20 year period. This is an exceptionally important task. The last party congresses of communists and workers in member countries adopted resolutions on the need to put their economies on the road to intensive development. One of the most important instruments of intensification is, as is known, bringing scientific-technical achievements into use as rapidly as possible. This is the basis for the growing role of science in our cooperation. For this reason also the over-all program being developed at present by the CEMA committee for scientific-technical cooperation based on resources of member countries will be one of the principal program documents. Many small groups in the secretariat are involved in this activity, not just the

section on matters of scientific-technical cooperation. It is also at the center of attention of the administration of the secretariat.

We are also conducting intensive work to implement the decision made at the 34th meeting of the Council session in the matter of improving the working of CEMA. Here we are concerned with improving the practices and manner of work of all CEMA organs. This is enormous and immeasurably important work.

[Question] At the 39th meeting of the Council session in Havana, in keeping with the principle of rotation, Vice Premier Janusz Obodowski, permanent representative of the Polish People's Republic to CEMA, assumed leadership. I believe that your visit to Warsaw is connected with this fact...

[Answer] In January 1985, the 113th regular meeting of the executive committee will take place. In keeping with what has been the practice over many years, about a month before the meeting, the secretary of the Council brings to the attention of the chairman of the executive committee all the problems connected with this meeting. The status of the preparation of specific problems and matters that will be considered are discussed. During my stay in Warsaw, Vice Premier Obodowski and I will discuss all of these matters, and it should be noted that the subject of the discussions of the meeting will be the most important actual and concrete problems of cooperation within the framework of CEMA. Here I would like to emphasize that the work of the executive committee is concentrating also on implementing the resolutions of the Moscow conference.

[Question] In concluding our conversation, I would still like to ask what other problems will be discussed during your visit in Poland?

[Answer] We are concerned primarily with the problem of improving and further development of many-sided cooperation between CEMA member countries. We will discuss how to improve the effectiveness of this cooperation. This is the main subject of my discussions with representatives of the Government of the Polish People's Republic.

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CSO: 2600/449

BULGARIA

TRADE RELATIONS WITH FINLAND OUTLINED

Sofia VUNSHNA TURGOVIYA in Bulgarian No 10, 1984 pp 7-9

[Article by Vulkan Tsvetkov: "Economic Cooperation Between Bulgaria and the Republic of Finland"]

[Text] Finland is one of the smaller developed capitalist nations, which has a highly developed and specialized economy and actively participates in international political life and in the international division of labor. Finland's foreign policy, which is based on active neutrality, finds expression in a number of initiatives which are directed toward strengthening peace and cooperation among nations. The most concrete expression of this policy was the European Conference on Security and Cooperation held in Helsinki in 1975. Finland's political policies are an evident demonstration of the possibility for development, broadly based on cooperation among countries with different social structures. In addition to its participation in Western European economic integration as a member of EAST and the Nordic Council and the Free Trade Agreement with the European Economic Community, Finland is actively developing economic cooperation with socialist countries on a bilateral basis as well as on a multilateral basis, in conjunction with the Cooperative Agreement with the Council for Economic Mutual Assistance.

Our nation maintains active political and economic relations with Finland.

Contacts at the governmental as well as the business level have had a favorable influence on bilateral trade and economic relations during the last few years.

A contractual and legal foundation which is favorable for economic cooperation between the two nations has been constructed and is continuing to be constructed. Since 1973, Bulgaria has been included in its general preference scheme. In accordance with the new payment agreement, payments between the two nations are conducted in American clearing dollars.

In the Long-Term Agreement on Economic, Industrial, and Scientific-Technical Cooperation, the application of the clause on most favored nation status and on agreements for industrial cooperation may be applied.

An agreement is being prepared to avoid the imposition of double duties.

The negotiations on coordinating the text of the Agreement for Mutual Incentives and the Defense of Investments have been concluded. Its ratification by the governments of the two nations is expected. The two nations have signed an Agreement for Mutual Elimination of Trade Obstacles. In accordance with the agreement of 1 January 1975, all quantitative and licensing limitations have been eliminated, and since 1 July 1977 tariffs have been lifted, with the exception of certain commodities, for which a plan has been envisioned for their eventual elimination. By now six general reductions have been introduced, or 80 percent of the tariffs which had been in effect before the agreement was signed. The final reduction of 20 percent is foreseen by 1 January 1985.

The tariff reduction has had a favorable effect on commerce between the two nations. This is particularly true of the exports of our light industry, such as knitwear, ready-to-wear clothes, fabrics, etc., as well as chemical items and certain of our machine building goods. In recent years, as a result of this, commerce between the Bulgarian People's Republic and Finland has shown a constant tendency to increase. From 1975 to 1982, commerce constantly increased, as our exports moved from 5,000,000 to 11,000,000 leva, and our imports from 9,000,000 to 17,000,000 leva. The greatest level of commerce occurred in 1982, 68,500,000 leva, due to an extremely high level of imports.

In 1983 the volume of bilateral trade decreased, which was linked with the devaluation of the Finnish mark carried out at the end of 1982, which led to a serious reduction in Bulgarian exports of textiles, fresh and processed fruits and vegetables, and products made by the chemical industry. Major agreements on the importation of machines and equipment from Finland were not signed. The sharp rise in the freight costs for rail and vehicular transport also affected the commerce in a negative way.

Our basic export commodities are metalworking machines (5.3 percent), radio location stations (3.5 percent), electric motors (2.6 percent), electronics (2.3 percent), textile products (45.4 percent), wooden furniture (2.4 percent), tobacco (11.8 percent), wines (9.5 percent), fruits and vegetables (5.8 percent), etc.

Around 15-20 percent of Bulgaria's exports to Finland consist of machines and equipment. Raw materials and other materials account for around 50 percent, and agricultural commodities occupy second place, with around 30-35 percent.

Our imports from Finland consist chiefly of products of the paper and cellulose industry, machines and equipment for nonferrous metallurgy and the chemical industry, special steels, chemicals, etc.

Despite the tendency emphasized for constant growth in trade with Finland, its current level does not respond to the possibilities for the economies of the two nations.

Favorable factors for expanding our exports to Finland are evident in further increases in sales of machine building production (metalworking machines, hoist trucks, electric hoists, radar installations for river and sea ships, auto parts), products of the chemical industry (low- and high-pressure polyethylene, polyvinylchloride, sodium tripolyphosphate, automobile rubber, calcinated soda, etc.), products of our metallurgy (hot and cold rolled sheet metal, shaped iron, tubing, lead for nuclear reactors, bismuth, selenium, etc.), light industry products (outer knitwear and underwear, ready-to-wear clothes, work clothes, woolen and cotton fabrics, etc.).

Possibilities exist for increasing the sales of our wines, oriental and broadleaf tobaccos, fresh and processed fruits and vegetables, furniture, etc.

The high requirements of the Finnish market with regard to quality and packaging, to strict reliability in shipping, as well as the expensive and poorly organized transport system are very often a hindrance to the sales of certain of our goods. Expansion in the sales of chemical products and other mass commodities is linked to the resolution of problems related to the containerization of goods. In order to overcome certain transport problems, an arrangement was made to use the Varna-Illichovsk ferry boat for transporting goods to and from Finland. Using this boat in 1983, Finnish firms shipped over 6,000 tons of special steel, cellulose, and paper to Bulgaria.

With regard to imports from Finland, the future offers favorable prospects for the purchase of machinery, equipment, know-how and technical assistance for our cellulose-paper industry, metallurgy, machine building, chemistry, etc.

In the field of industrial cooperation, we can note with satisfaction that in recent years some success was achieved. In September 1979, the largest agreement in Bulgarian-Finnish economic relations was signed by the Tekhno-import Engineering Economic Organization and the AOR Industry group in Finland, for the reconstruction and modernization of the G. Damyanov Copper Extraction Combine in the city of Srednogorie. It is certain that the execution of this major agreement will serve as a stimulus for the more effective utilization of the possibilities for economic and industrial collaboration, including joint construction of sites in third countries.

Framework agreements have been signed with the Outokumpu Oy, as part of a group, for collaboration in the design and implementation of automated systems for management of constant processes in the chemical industry field, and an agreement was signed for collaboration in the field of nonferrous metallurgy.

Collaboration between Bulgarian economic and trade organizations and the Tampella Oy firm is developing successfully. The Kone Oy firm and the Intransmash BUD have signed a protocol on collaboration in the construction of modern, fully automated warehouse systems.

At the end of 1982, an agreement for collaboration in the production of motorcycle and bicycle tires at the Konstantin Rusinov plant in Pazardzhik

was signed by the Tekhnika Foreign Trade Enterprise and the largest private Finnish firm, Nokia Oy. Negotiations are also being conducted with this same firm on the establishment of collaboration in raising the quality of production of automobile tires.

Negotiations are being conducted on collaboration in the automation of power supply systems for Bulgarian chemical combines and implementing systems for the control of processes in the cellulose-paper and petrochemical industries.

Collaboration is being actively developed in the field of tourism. This year the second regular meeting of the Combined Bulgarian-Finnish Commission on Tourism took place. Finnish tourists occupy first place among those tourists who take advantage of our balneologic resorts. In 1983, 19,000 Finns vacationed in Bulgaria. Last year, along with the Finnish firm of Proeks Oy, the Yagoda modern villa section of Borovets was built, and in the middle of next year the Elenite complex will be starting operation in Slunchev Bryag Kray.

Forty-four large Finish firms are members of the Finnish-Bulgarian Association for Finnish Trade and Industrial Media at the Finnish Chamber of Commerce, and 34 of our economic and foreign trade organizations belong to the Finland section of the Bulgarian Chamber of Commerce and Industry. An agreement has been signed for collaboration between the Central Chamber of Commerce in Finland and the Bulgarian Chamber of Commerce and Industry.

Scientific-technical cooperation between the Bulgarian People's Republic and Finland is developing along the lines of exchanging specialists, conducting symposia, and direct collaboration between scientific research institutes in the two countries.

The importation of machinery and equipment from Finland for the construction of large sites built by Finnish firms is provided by credit based on an agreement signed between the Bulgarian Foreign Trade Bank and the Finnish bank credit line.

The two nations exhibit interest in the future for developing trade and economic relations in a broad and mutually advantageous manner. In the next few years we could see a sharp increase in mutual trade and economic and industrial collaboration between the two nations, as our country's participation in the multilateral cooperation established between the member nations of CEMA and Finland are expanded and deepened. For the fulfillment of this task, we must utilize more perfected forms of economic collaboration, such as industrial cooperation, a long-term acceleration of mutual shipments, collaboration in third nations, etc.

Possibilities exist for commodity exchange between Finland and Bulgaria to reach 50,000,000 to 60,000,000 dollars in the next few years, including raising our exports from 17,000,000 to 20,000,000 dollars. The annual export of machinery and equipment could increase to 3,500,000 dollars. The export of metals, chemical products, light industry items, and other raw materials and materials could grow to 10,000,000 to 12,000,000 dollars, as their relative percentage reaches 60 percent. Despite the limited absorptive

capacity of the Finnish market, our exports of agricultural products could reach 4,000,000 to 5,000,000 dollars, with a relative percentage of 20 percent. The basic commodities to stress here will be, as they have been up to now, fresh and processed fruits and vegetables, wines, oriental and broadleaf tobaccos, canned mushrooms, etc.

A significant portion of imports from Finland will consist of machinery and equipment for the reconstruction and modernization of plants in the cellulose-paper and petrochemical industries and in nonferrous metals.

A large part of the imports will continue to be raw materials and other materials, such as cellulose, paper, packaging, rustproof sheet metal, nonferrous metals, titanic dioxide, etc.

After the ratification of the Agreement for Mutual Incentives and the Defense of Investments by the governments of the two countries and the agreement for the elimination of double duties, even more favorable conditions for the creation of combined economic associations and firms in the Bulgarian People's Republic and Finland will be created.

The results achieved in economic collaboration and the possible prospects will undoubtedly assist in the expansion of the process of the international division of labor.

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BULGARIA

KOREKOM FOREIGN TRADE ENTERPRISE ADVERTISES MERCHANDISE

Sofia VUNSHNA TURGOVIYA in Bulgarian No 19, 1984 insert

[Text] Korekom is a foreign trade organization which handles the importation of reputable commodities and organizes the retail sale of imported and Bulgarian commodities for convertible currency.

Korekom imports a broad range of goods from firms known all over the world: small appliances, televisions, clocks, typewriters, cameras and photo items, household appliances, rugs, furniture, household supplies, foods, alcohol and cigarettes, ready-to-wear clothes, knitwear, perfumes and cosmetics, jewelry, souvenirs, beach articles, goods for sports and tourism, automobile parts and accessories.

For its numerous clients Korekom offers personal cars, produced in the socialist countries, apartments in the capital and in other parts of the country.

Korekom accepts individual orders for goods from its catalogues for the firms Quelle and Wieler. It arranges parcel deliveries of Bulgarian and imported goods in this country and abroad.

Korekom offers, within its large network of hard currency stores in Sofia, the okrug centers, at seaside and mountain resorts, at first class hotels, and at border points, in addition to the imported goods, Bulgarian items of export quality: leather wear, embroidery, ceramics, knitwear, footwear, foods and delicatessen items, cigarettes, and alcohol.

Clients of Korekom are those Bulgarian citizens who have acquired hard currency in a legal way, and all foreign citizens who stay in or pass through Bulgaria. Purchases may be made with all types of hard currency, with Euro and traveler's checks. The goods purchased at the Korekom stores are freely exportable abroad, with the proper purchase document (cash register receipt or invoice).

Address: Korekom Foreign Trade Organization, Sofia, Tsar Kaloyan Street 8. Telephone 8-51-31. Telex 22476.

Bank accounts: for payment in hard currency--463 053 300-6; for payment in leva--180 032-5.

CZECHOSLOVAKIA

ROHLICEK VIEWS ECONOMIC COOPERATION WITH USSR

Prague RUDE PRAVO in Czech 17 Dec 84 p 3

[Article by Rudolf Rohlicek, deputy chairman of the CSSR Government: "We Are Developing the Economy on the Basis of Effective CSSR-Soviet Cooperation"]

[Text] It is very symbolic that the recent 25th session of the intergovernmental Czechoslovak-Soviet Commission for Economic and Scientific-Technical Cooperation, which as always took place in a friendly and comradely atmosphere, was held at the same time as one held 41 years ago, when representatives of the USSR and representatives of Czechoslovakia came together at a most difficult time for the peoples of Czechoslovakia and the Soviet Union to sign a treaty on perpetual alliance, mutual friendship, and postwar cooperation.

The ratification of this treaty at the time of the victorious operations of the Red Army also represented the victory of the political line and the efforts of the leftist resistance fighters with the communists at their head, and the fulfillment of the desires of the Czechoslovak people to ensure the security of their country through alliance with the Soviet Union. This was the only way that the current program of close economic and political cooperation could be prepared and gradually put into effect.

The past four decades have confirmed in practice the viability of that treaty. Our direct cooperation with the Soviet Union and its unselfish assistance have made it possible for the peoples of our country to develop its national economy, to create the new spiritual values of socialist man, and to ensure his high standard of living, not only from the material standpoint, but also from the cultural standpoint.

The irreplaceable nature of the Soviet Union's economy today consists not only of reliable supplies of energy and raw materials, but more and more also of products and of the development of Czechoslovak science and technology. We have only to mention at random the field of nuclear energy, electronics, some heavy engineering and chemical products, mining methods and the processing of raw materials and minerals, industrial production on a biotechnical basis, results of technical and biological development, etc.

The positive responses of Comrades Chernenko and Tikhonov on ensuring supplies of energy and other raw materials to the CEMA countries for the next 5-year plan at an economic conference at the highest level, as well as on other occasions, mean for us a reliable basis for mutual discussions on the plans for the next 5-year plan.

The Soviet Union is again keeping its word, even with much more complicated internal and external conditions. To continue with deliveries of raw materials and energy outside the boundaries of the country is possible today only with the balanced joining together of the rich fields in the far north, in Siberia, and in central Asia, where the extraction conditions are far more difficult.

Our alliance of the CEMA countries is clearly aware of this situation and is therefore taking part in a number of joint actions and construction projects. None of us, surely, would expect that the USSR should bear these growing costs by itself. It is entirely justified from the economic viewpoint that the concerned CEMA countries should share in covering the costs to the extent of their participation in the consumption of these raw materials and energy. The CSSR also traditionally participates in this form of cooperation, whether it is the construction of the Khmel'nitskiy nuclear power plant, the Mozyr plant for the production of yeast feeds, or taking part in the planned construction of the gas pipeline from the Yamal Peninsula, the construction of nuclear power and heating plants, aluminum plants, extracting ores and processing them in Krivoy Rog, and other actions about which there was discussion at the 25th session of the intergovernmental commission.

The particular significance of the 25th session of the intergovernmental Czechoslovak-Soviet Commission for Economic and Scientific-Technical Cooperation is that it included discussion of methods and timeframes for preparing a program of long-range economic and scientific and technical cooperation between the two countries up until the year 2000.

For this we used as a starting point the conclusions of a recent economic conference of the CEMA member states at the highest level, which decided that it would take a new step toward improving and strengthening economic and scientific and technical cooperation between the CEMA member states. The main instrument to implement this decision will be, in addition to coordination of the 5-year plans for the development of the national economies, mainly coordination of the main lines of long-range development of economic policies, especially the program for cooperation and specialization of production and the creation of stable economic and scientific-technical mutual relations. Furthermore, as the extent of Czechoslovak-Soviet cooperation expands and intensifies, we can best express this by the following data: mutual exchange of goods today makes up 44 percent of the overall Czechoslovak foreign trade exchange.

Behind these figures one must see not only the volume of goods, but also the changing, and growing from year to year, dynamic development of production at a qualitatively higher level. The higher level must be sought in the basis for future results in the field of scientific and technical development and in the sphere of research. Here is not only where new quality is born for items produced later, but is also the source of a new quality in mutual economic and political, truly fraternal, relations.

According to accumulated data, joint work on 332 problems and subjects was completed from 1981 to 1984. By the end of 1985, there will be plans for or production started on 20 automated management systems, 114 types of equipment, machines, and instruments, and 20 types of new materials and substances.

We expect to see results in the near future also in characterizing the 10 most important lines of scientific-technical cooperation for the next 5-year plan, containing 27 complex interbranch problems of science and technology and 82 main themes, which also cover the field of automation of technological processes in engineering, the development of robotics, flexible production systems, digital control of machine tools, fuel and energy, agricultural industrial, raw material, and biotechnological complexes.

We are putting a great deal of hope in the creation of international Czechoslovak-Soviet teams for research, development and production in fields with the greatest progress. The decisive importance is in the areas of electronics, instruments, microprocessors, and robotics equipment as the basis for the automation of production processes. We could say the same about cooperation in the fields of medicine, foodstuffs, agriculture and biotechnology.

About 180,000 workers in our scientific and technical base are taking part in the decisive scientific-technical tasks. A constantly improved division of labor in the research field as well joins a considerable portion of the Soviet scientists and researchers, whose base is almost 5 million people, into mutually beneficial cooperation.

In the next 5-year plan, it will be a matter mainly of broader application of joint Czechoslovak-Soviet scientific research collectives, joint laboratories, and research production teams, with emphasis on production applications of the finalized results of research and development.

Processed data show that last year there was a mutual exchange between the CSSR and the USSR of about 1,000 specialists and almost 300 sets of documentation.

Cooperation and specialization of production has an important role in mutual economic relations. Its level still does not correspond to the capabilities of the national economies of both countries, and systematic attention is therefore being devoted to this question. Priority is given to the direct production contacts between teams, enterprises, and organizations, which has had the best results in terms of specificity and capability of action. There is, for example, the implementation of the branch subprogram for the development of cooperation and specialization in the chemical industry, which is directed in particular at increasing the technical level of specialized production, reducing imports from third countries, doing away with duplication in production, intensifying scientific and technical cooperation, coordination of capital investment construction projects, and utilization of production capacity, and also in the field of setting technical standards for products, licensing policies, and knowhow.

Obviously, we can further expand cooperation and specialization with Soviet enterprises. For example, during discussions by the Ministry of Metallurgy and Heavy Engineering with its Soviet partners, our proposal was evaluated as

to the creation of joint teams for research, development, and production of chemical equipment, technological units in the foodstuffs industry, machinery and equipment for surface mining and for processing coal and ores.

This form of cooperation will require the working out of technical, legal, and obviously economic conditions for it to exist, and therefore its viability will be currently tested in the form of temporary joint collectives.

A number of such agreements, approaching the formation of joint teams and work-sites, already exist, however. Some of them were discussed at the 25th session of the intergovernmental commission.

This is a matter of legal statutes and a treaty on cooperation in the field of developing scientific-technical complexes and flexible production systems and on management of the Robot International Scientific-Technical Association.

There was also a treaty approved on management of the joint Czechoslovak-Soviet color laboratory between the State Commission for Scientific-Technical and Capital Development and the USSR State Committee for Science and Technology and the USSR Ministry of the Chemical Industry.

A team for the research, development, production, supply, and assembly of machinery for the production of veneers and plywood is in the study phase and has been approved at the level of authorized governmental representatives for the problem "Complex Utilization of Wood as a Raw Material." Bilateral negotiations between the CSSR and the USSR will take place next year.

In the discussions of the intergovernmental commission, both sides also familiarized themselves with the treaty proposals for intensifying cooperation in the next 5-year plan. In the automotive industry, we plan particularly on increased exports of our trucks. There is increased mutual exchange and delivery of machine tools, construction and highway machinery, and equipment for light industry and the foodstuffs industry. We expect a significant increase in bilateral deliveries of chemical and petroleum machinery, electronics, transportation means, electrotechnical equipment, and agricultural machinery.

We exchanged information with the Soviet delegation on the status and course of construction and reconstruction of industrial and other projects in Czechoslovakia, on which we are working together with the Soviets. This involves about 40 projects, especially in ferrous metallurgy, the chemical, petrochemical, and paper industries, and the construction of color television and radio facilities. Cooperation in the field of nuclear power plants occupies a special place. For example, facilities were completed and brought into operation, such as the first and second 440 MW sections of the Jaslovske Bohunice nuclear power plant; the cellulose and paper combine in Paskov, with an output of 200,000 tons of unbleached cellulose; and the Ruzomberk cellulose plant, which has the same output. There are also the four automatic control systems for blast furnace number 3 at the East Slovakia Iron Works, the equipment for carbon manufacture in Valasske Mezirici, the 1,000 MW output shortwave radiostation in Rimavska Sobota, etc.

We similarly evaluated the status of cooperative work in modernizing and reconstructing enterprises of light industry and the foodstuffs industry in the Soviet Union. This involves dozens of light industry facilities designated for technical reconstruction and the construction of some foodstuffs industry facilities in which our firms are participating. These include, for example, the tannery in Yerevan, the shoe factory in Vorosilovgrad, and the knitting mills in Zodin. On the basis of contracts, deliveries for and reconstruction of these facilities is already going on. The technical negotiations are already completed and the proposal is prepared, including suggestions for reconstruction projects, for large Soviet plants for the production of outerwear fabrics, rayons, and footwear. In the next few years, the Soviets are also interested in the construction or reconstruction of light industry plants. Even today we can count on orders for tanneries, footwear machinery, and dry-goods production.

One can document the importance of timely preparation of records on the exchange of goods and payments between the two countries for next year by looking at the fulfillment of the similar protocol for this year. Mutual exchanges of goods in the first three quarters of 1984 were substantially performed within the time schedules of the contracts, but some goods were delivered late. These slippages were largely caused by late signing of the contracts for delivery of a number of Czechoslovak and Soviet goods. This occurred in connection with delays in production, experimental prototypes, changes in production capabilities, and transportation difficulties. There is a reason for pointing out these difficulties, along with a number of claims by one party or the other about the quality of goods or delays in transportation of deliveries. The production enterprises and the ministries of foreign trade of both countries also have great responsibilities in this area of timely fulfillment of contracts, especially delivery of machinery and equipment for facilities already put into operation, goods for agricultural needs, spare parts, and consumer goods.

But it is with pleasure that we can state that mutual trade has developed successfully this year. The exchange of goods for the first three quarters of this year increased by 14.5 percent in comparison with the same time frame last year, and it is predicted to rise even more by the end of the year. According to preliminary data, the exchange of goods in 1985 will also increase in comparison with the turnover predicted by the documentation for 1984 by 5.7 percent, and will reach roughly 13 billion rubles.

It is symbolic that the anniversary session, the 25th one, of the intergovernmental Czechoslovak-Soviet Commission for Economic and Scientific-Technical Cooperation took place shortly before the new year, when the celebrations of the 40th anniversary of the national liberation struggle and the liberation of our country by the Soviet Army will reach a peak.

We can best contribute to the celebration of 40 peaceful years by mutual fulfillment of the agreements and memoranda which have been approved for next year. But for us it is also a matter of mutual cooperation with our closest friend, the Soviet Union, having a favorable effect on the lives of our people in the forthcoming peaceful years as well.

6285  
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CZECHOSLOVAKIA

OCTOBER 1984 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech No 48, 1984 p 2

[Commentary by Engineers Alena Polakova and Marie Hormannova, Federal Statistical Office: "October 1984"]

[Text] An extra workday over the same periods last year influenced the results achieved in the national economy's development in October and during the first 10 months of this year. Overall, in terms of the principal indicators, the enterprises and organizations overfulfilled their economic plans. The annual state plan's fulfillment through the end of October was 83.8 percent for gross industrial output, 84 percent for the volume of construction work performed by the construction enterprises' own personnel, 89.4 percent for the procurement of slaughter animals, including poultry, and 75.9 percent for total import and 81.0 percent for total export (at prices f.o.b. [border]).

Gross output in industry in October and during the first 10 months rose at a faster rate than what the annual state plan calls for. Over the same month last year, gross output in October increased by 4.9 percent (average daily output increased by 1.4 percent). And over the same period last year, gross output in January through October increased by 4.2 percent (average daily output, by 3.8 percent). Jointly, the industrial enterprises fulfilled their economic plans' schedule for gross output 101.1 percent in October, and 101.3 percent from the beginning of the year.

The pulp and paper industry, and the glass, ceramics and porcelain industry had the highest growth rates of gross output in January through October.

While overall the [industrial] enterprises exceeded the planned volume of gross output, 189 or 22.1 percent of the enterprises fell short of fulfilling their plans for January through October. During January through October, in comparison with the same period last year, adjusted value added increased by 5.7 percent in industry. From the beginning of the year, fulfillment of the plans for adjusted value added was 102.1 percent overall, but 172 or 15.9 percent of the enterprises fell short of fulfillment.

The increases in gross output and in adjusted value added can be attributed primarily to the rise in labor productivity. Labor productivity during the first 10 months rose by 3.6 percent based on gross output (the plan anticipates a rise of 1.3 percent), and by 5.1 percent based on adjusted value added.

Basic Indicators of National Economy's Development in October 1984.  
Increases Over Comparable 1983 Period (in percent)

|  | <u>Oct</u> | <u>Jan-Oct</u> | <u>State Plan<sup>1</sup></u> |
|--|------------|----------------|-------------------------------|
| Centrally Administered Industries                  |            |                |                               |
| deliveries for:                                    |            |                |                               |
| - investments, at wholesale prices                 | .          | 6.3            | .                             |
| - domestic trade                                   |            |                |                               |
| at wholesale prices                                | .          | 3.2            | .                             |
| at retail prices                                   | .          | 3.5            | .                             |
| - export to socialist countries                    |            |                |                               |
| at wholesale prices                                | .          | 5.1            | .                             |
| at f.o.b. prices                                   | .          | 7.6            | .                             |
| - export to nonsocialist countries                 |            |                |                               |
| at wholesale prices                                | .          | 8.0            | .                             |
| at f.o.b. prices                                   | .          | 9.0            | .                             |
| - other sales for productive consumption           |            |                |                               |
| and operations, at wholesale prices                | .          | 2.6            | .                             |
| volume of industrial production                    | 4.9        | 4.2            | 2.5                           |
| average number of employees                        | 0.4        | 0.6            | 1.2                           |
| labor productivity based on gross output           | 4.5        | 3.6            | 1.3                           |
| Construction                                       |            |                |                               |
| construction work performed with own personnel     | 2.4        | 1.8            | 0.7                           |
| average number of employees                        | 0.2        | 0.3            | 0.9                           |
| labor productivity on construction's basic output  | 2.2        | 1.5            | -0.3                          |
| housing units delivered by contracting enterprises | -3.1       | 1.4            | -4.9                          |
| Procurement  |            |                |                               |
| slaughter animals (including poultry)              | 3.8        | 4.8            | -2.1                          |
| milk   | 3.1        | 3.8            | -4.7                          |
| eggs   | 6.4        | 3.8            | -3.9                          |
| Retail Turnover                                    |            |                |                               |
| main trade systems                                 | 3.5        | 2.9            | 1.2                           |
| Foreign Trade <sup>2</sup>                         |            |                |                               |
| export to socialist countries                      | .          | 11.5           | 6.1                           |
| export to nonsocialist countries                   | .          | 4.7            | 1.3                           |
| import from socialist countries                    | .          | 15.7           | 9.5                           |
| import from nonsocialist countries                 | .          | -2.7           | 9.0                           |
| Personal Money Income                              |            |                |                               |
| of which income from wages                         | 0.4        | 2.3            | 1.8                           |
|  | 0.0        | 2.3            | 1.2                           |

1. Adjusted federal plan approved by Government Decree No 120/84 (less the goal-oriented programs' effect); plan adjusted for actual 1983 results.  
2. Data on actual results refer to the state plan for 1984 (in accordance with Government Decree No 268/83).

In the marketing of the industrial output, deliveries for export to both socialist and nonsocialist countries rose sharply during the first 10 months of this year, in comparison with the same period last year. From January through October, the plan was exceeded in terms of deliveries to all principal destinations. Some of the enterprises, however, fell short of their targets; during the first 10 months, 39 percent of the enterprises failed to fulfill their planned other deliveries for industrial production and operations; and 28 percent fell short of their planned deliveries for investments.

Fulfillment of the deliveries for the domestic market, and for export, was more even; about 20 percent of the enterprises fell short of fulfilling their targets for deliveries to these destinations.

In construction, the volume of construction work performed by the construction enterprises' own personnel increased by 2.4 percent in October, and by 1.8 percent in January through October. The average daily output in construction dropped by 2.1 percent in October, and by 1.3 percent in January through October. Jointly, the construction enterprises fulfilled their production plan 101.2 percent in October, and 100.3 percent in January through October. During the first 10 months, 101 or 44.3 percent of the enterprises fell short of fulfilling their plans for construction work. Adjusted value added rose in construction by 2.6 percent during the first 10 months; fulfillment of the economic plans for adjusted value added was 101.4 percent during that period.

Labor productivity in construction, based on the volume of construction work in place, increased by 1.5 percent in January through October, while the annual state plan anticipates a 0.3-percent drop in comparison with last year. Labor productivity based on adjusted value added increased by 2.3 percent in January through October.

By the end of October, the contracting construction enterprises delivered 36,898 housing units, 1.4 percent more than during the same period last year.

Public freight transportation hauled 59,523,000 tons of freight in October, roughly the same volume as in October of last year. All principal modes of transportation exceeded their October freight transportation plans. Overfulfillment was the highest in inland navigation.

From January through October, public freight transportation hauled 552,124,000 tons of freight, 1 percent less than during the first 10 months last year. At the same time, the volumes of freight that the railroad and inland navigation hauled during the first 10 months of this year were larger than in the same period last year. The volume of freight that the CSAD [Czechoslovak State Motor Transportation] hauled dropped by 3.5 percent.

Overall fulfillment of the freight transportation plan was 99.2 percent for January through October. (This includes 100.5 percent for the CSD [Czechoslovak State Railways], 98 percent for the CSAD, and 103.3 percent for inland navigation.) Measured in standard freight-car units, the average number of freight cars loaded per day increased by 1.4 percent during January through October. The average freight car's turnaround time dropped 3 percent, to 3.94 days.

In agriculture, 84.2 percent of the grain-corn acreage and 98.1 percent of the sugar-beet acreage were harvested by 12 November. The sugar-beet harvest ended in some of the krajs. The planting of winter grains is almost completed.

Within the schedule for the procurement of livestock products, fulfillment in October was 106.6 percent for slaughter animals (including 105.8 percent for slaughter cattle, and 104.8 percent for slaughter hogs), 106.6 percent for slaughter poultry, 108.2 percent for milk, and 106.4 percent for eggs.

In January through October, the procurement schedule was exceeded for all principal livestock products, the most conspicuously in the case of milk and eggs. Procurement during the first 10 months this year exceeded the volumes during the same period last year by 70,500 tons of slaughter animals, including poultry (an increase of 4.8 percent), 184 million liters of milk (3.8 percent), and 93 million eggs (3.8 percent).

At current prices, the retail turnover of domestic trade's main trade systems rose by 3.5 percent, due mostly to the higher turnover of the food stores, department stores and consumer cooperatives. In January through October, the organizations of the main trade systems sold 193 billion korunas' worth of merchandise, 2.9 percent more than during the same period last year. The retail turnover's growth rates were the highest in the vegetable and fruit stores, and department stores. Fulfillment of the retail-turnover plan for this period was 101.1 percent.

Foreign trade, especially with the CEMA countries and the Soviet Union in particular, likewise contributed to the plan's favorable fulfillment. Export rose faster than import during January through October. Here the growth rate of export was higher to socialist countries than to nonsocialist countries. By the end of October, the annual plan of export was fulfilled 82.5 percent to socialist countries, and 79.9 percent to nonsocialist countries. Total import during January through October rose by 8.1 percent over the same period last year, and within this import from socialist countries increased by 15.7 percent.

The growth rate of personal income and of income from wages was faster during January through October than what the state plan calls for.

Due to increased personal spending, the currency in circulation dropped by 1.5 billion korunas in October, to a total of 52 billion korunas on 31 October.

1014  
CSO: 2400/170

CZECHOSLOVAKIA

AGRICULTURAL PRICE POLICY DISCUSSED

Prague FINANCE A UVER in Czech No 9, 1984 pp 593-603

[Article by Eng Kveta Burianova, CSc: "Methodology of Normative Computation of Cost Reimbursement and Objectivization of the Incentive Component of Procurement Prices"]

[Text] Modification of the procurement prices of agricultural products implemented in the Sixth and Seventh 5-Year Plans systematically pursue rapprochement between the level of procurement prices, and particularly their profit component, and the needs of financing the planned process of economic renewal. For compensation of price effects that increase costs and for reinforcement of the accumulative component of profit, particularly in horned cattle and sheep breeding, the cost reimbursement was increased in 1977, 1980, 1981 and 1982 by approximately one-third in those production spheres and by 11 percent overall, of which 2.5 percent applied in 1982 to redistribution from other branches of the national economy. The share of these supplemental resources in the profit plan of agricultural organizations in 1982 was approximately 40 percent.

At the present time, procurement prices including differential surcharges already fully reimburse the production costs of individual agricultural products and, essentially, even the requisite profit, i.e., the entire objectively indispensable need for reimbursement. In a number of cases the cost reimbursement exceeds this objectively required need for reimbursement and, in so doing, it generates in the case of individual products a varying measure of certain excess profits that can be referred to as the incentive component of profit.

Successful meeting of the quotas of the Fourth Plenum of the CPCZ Central Committee of 1981, which called for increases in the consumption of foodstuffs through energetic efforts toward intensive development of own production with maintenance of its high economy and full utilization of the means of production, can be accomplished only by providing commensurate incentives and correct mutual relations in prices of agricultural products. This contribution is intended to promote that goal.

Methodology

The data used for assessing the level and relations of procurement prices come from the Set of Cost-accounting JZD's [unified agricultural cooperatives] (hereafter "JZD Set"), which includes one-third of CSSR JZD's; these costs are

confronted with cost norms devised by the Research Institute for Economy in Agriculture and Food. The profit component of the procurement price and of production cost is assessed independently by comparing it to the objectively required need for profit, which is computed by a methodology listed below in the section dealing with objectivization of profit.

#### Objectivization of Costs

The Research Institute for Economy in Agriculture and Food devised cost norms per unit of production through recomputation from the cost norms per hectare or, in animal production, from the cost norm per 100 feeding days and from the normative yield or utility per hectare. These norms were devised for the needs of intraenterprise planning; they objectivize primarily direct costs, e.g., consumption of fertilizers and fodders, but in complex cost items, e.g., in costs of mechanization and overhead, they are essentially based--barring extremes--on actual JZD Set costs, not on normatively assessed technologically optimal operating procedures. In comparison with JZD Set costs for 1982, normative costs were lower by 5 percent in the case of barley, sugar beets, flax, hops and unhusked corn, and by more than 5 percent in the case of increments in slaughter hogs, horned cattle, eggs, wheat, rye, oats, rape, consumer potatoes, grapes, perennial fodder grasses and pastures. These differences can be viewed as untapped resources for making production more effective.

In the case of milk, seed corn, peas and early potatoes the JZD Set reached in 1982 higher parameters of yields and utility per hectare at lower costs per hectare or 100 feeding days and, thus, per unit of produce, a fact that bears out the need for consolidation of the relevant norms.

The JZD Set used in the analysis were yields per hectare for the average of 1977 through 1982, including two extremely infertile years, 1979 and 1981; also included were data for 1982, a year that can be considered relatively favorable, because the gross agricultural production quota was met despite the failure to meet the plan in production of cereals, potatoes, rape and perennial fodder grasses.

The recomputation in animal production made use of the utility indicator for 1982 even though increments, particularly in the case of horned cattle, were distinctly low.

In addition to normative costs, computations of the need for compensation also made use of JZD Set costs for 1982 and, in plant production, also recomputation of average yields per hectare of 1979-1982. The difference in production costs computed by the described method can be seen in Table 1.

#### Actual Price

The price shown for all JZD's by the Federal Bureau of Statistics (including surcharges on top of procurement prices) has been increased in computations by differential surcharges for the average of all JZD's. For the sake of comparison, Table 2 shows the actual JZD Set price with and without economic instruments.

Table 1. Comparison of Costs of Key CSSR Agricultural Products With Norms

| Product   | 1982 Costs |         | Yield (t/ha);<br>(Kcs/ha;<br>100 KD*) |           | Costs<br>(Kcs/unit of key<br>products) |           |
|---|------------|---------|---------------------------------------|-----------|--|-----------|
|   | Norm       | JZD Set | Norm                                  | JZD Set** | Norm                                   | JZD Set** |
| Wheat   | 6,000      | 6,841   | 4.65                                  | 4.27      | 1,190                                  | 1,441     |
| Rye   | 5,700      | 6,356   | 3.65                                  | 3.36      | 1,412                                  | 1,777     |
| Barley  | 5,400      | 5,540   | 4.54                                  | 3.98      | 1,058                                  | 1,308     |
| Seed corn   | 8,200      | 8,178   | 4.65                                  | 4.63      | 1,662                                  | 1,717     |
| Rape  | 6,600      | 6,978   | 2.65                                  | 2.18      | 2,487                                  | 3,188     |
| Consumer potatoes   | 22,000     | 25,333  | 19.50                                 | 18.52     | 1,128                                  | 1,367     |
| Flax-fibers   | 10,100     | 10,349  | 3.45                                  | 3.0       | 2,200                                  | 2,518     |
| Sugar beets   | 15,000     | 15,402  | 39.47                                 | 36.20     | 293                                    | 343       |
| Hops  | 61,000     | 63,684  | 1.15                                  | 1.08      | 53,043                                 | 58,967    |
| Grapes  | 33,000     | 35,586  | 7.50                                  | 6.18      | 4,400                                  | 5,885     |
| Milk a (= cost accounted)   | 3,430      | 3,387   | 3,154                                 | 3,209     | 3.57                                   | 3.85      |
| Milk b (= costs increased by objectively<br>required need for profit for interme-<br>diate product) | 1,551      | 1,400   | 72                                    | 63        | 3.68                                   | 3.96      |
| Horned cattle feeding a<br>b  | 690        | 720     | 47                                    | 45        | 20.10                                  | 22.21     |
| Hog feeding a<br>b  | 555        | 583     | 245                                   | 242       | 14.88                                  | 16.13     |
| Eggs JZD<br>SZP   | 555        | 553     | 245                                   | 261       | 0.827                                  | 0.879     |
|   |            |         |                                       |           | 0.827                                  | 0.773     |

\* KD = feeding day per animal

\*\* Average yield per hectare in plant production in 1977-1982, utility for 1982 in animal production

Table 2. Actual Prices (in Kcs/t, 1,000 l, 1,000 pcs)

|                             | 1      | 2      | 3      | 4      | 5      | 6      | 7      | 8 |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|---|
| Wheat                       | 1,642  | 1,660  | 1,705  | 1,707  | 1,361  | 1,612  | 95     |   |
| Rye                         | 1,785  | 1,780  | 2,131  | 1,945  | 1,572  | 1,937  | 8      |   |
| Barley                      | 1,670  | 1,648  | 1,707  | 1,726  | 1,182  | 1,432  | 294    |   |
| Seed corn                   | 2,107  | 2,141  | 2,381  | 2,134  | 1,901  | 1,956  | 178    |   |
| Rape                        | 3,968  | 3,724  | 3,984  | 4,218  | 2,695  | 3,396  | 822    |   |
| Consumer potatoes           | 1,448  | 1,282  | 1,655  | 1,780  | 1,191  | 1,430  | 350    |   |
| Flax                        | 2,829  | 2,919  | 3,625  | 3,176  | 2,358  | 2,676  | 500    |   |
| Sugar beet                  | 371    | 376    | 384    | 376    | 335    | 385    | -9     |   |
| Hops                        | 82,585 | 76,119 | 81,358 | 82,585 | 59,425 | 65,349 | 17,236 |   |
| Grapes                      | 8,026  | 7,100  | 8,270  | 8,026  | 5,049  | 6,534  | 1,492  |   |
| Milk                        | 3,744  | 3,750  | 4,290  | 4,172  | 3,896  | 4,176  | -4     |   |
| *Horned cattle<br>fattening | 22,750 | 22,810 | 24,530 | 24,721 | 22,061 | 24,171 | 550    |   |
| Hogs fattening              | 16,394 | 16,160 | 16,850 | 17,136 | 15,763 | 17,013 | 123    |   |
| Eggs JZD                    | 830    | 900    | 930    | 856    | 860    | 912    | -56    |   |
| SZP                         | 830    | 822    | 828    | 856    | 860    | 806    | 50     |   |

Key:

1. Product
2. Actual 1982 prices according to the Federal Bureau of Statistics
3. Actual JZD Set 1982 prices without economic instruments
4. Actual JZD Set 1982 prices including economic instruments (actual price including surcharges and differential surcharges)
5. Actual 1982 prices according to the Federal Bureau of Statistics + differential surcharges of all JZD's
6. Computed base of procurement prices (necessary profit + costs (necessary profit = Federal Bureau of Statistics calculations based on the Seventh 5-Year Plan))--Normative
7. Same as above--JZD Set (in plant production at average yield per hectare in 1977-1982, in animal production 1982 utility)
8. Difference vis-a-vis actual price (column 8 = column 5 - column 7)

\* Without culled cows

Objectivization of Profit

The determination of the objectivized required need for profit for individual products was normatively computed from data of the State Planning Commission and of the Ministry of Agriculture and Food for the Seventh 5-Year Plan. The computation includes compensation for all items covered by an agricultural enterprise from profit, i.e.:

--average land tax differentiated for plant production produce according to its distribution in varying natural conditions,

--allocation for capital formation covering 30 percent of planned investments,

--allocation to the turnover fund commensurate to planned inventory increment,  
--allocation to consumption goods and contingency funds at 12 percent of planned labor costs,  
--profit tax according to the valid progressive scale commensurate with profitability computed from the sum of the listed profit items vis-a-vis planned costs.

The thus determined objectivized required need for profit was divided into agricultural and nonagricultural activities of agricultural enterprises and within agricultural activities it was computed for plant and animal production and, further, for individual products. In individual agricultural products the thus computed required need for profit was confronted with the actually attained profit in the JZD Set constituting the difference in actual price with and without economic instruments and costs per unit of production.

Compensation for damages was figured independently, since it increases the profit of the enterprise in the form of extraordinary returns and, as such, must also increase the profit of individual productions. This is essentially a through item--on the one hand, insurance premiums increase costs and, on the other hand, compensation for damages must necessarily increase both output and profit. More detailed computations, including the so-called incentive part of profit constituted by the difference between attained profit and the computed objectivized required need for profit, are shown in Table 3.

#### Objectivized Need for Coverage of Replacement Costs of Agricultural Products

This forms the basis of procurement prices and of price instruments. It is formed by the sum of the computed objectivized required need for profit and normative costs; the need for compensation is also computed from costs of the JZD Set in 1982 and for plant production in the interest of compensation for weather effects even at average yields per hectare in 1977-1982. The difference between the computed and attained need for compensation can again be considered incentive profit (see Table 2).

#### Profitability and Measure of Profits

In proposing modifications of procurement prices and making decisions about their adoption, one can still hear arguments that the profitability of a given product is low in comparison with another product and that it should amount to, e.g., 10 or 20 percent, etc. It is often forgotten that profitability or measure of profit are indicators derived from and dependent on not only the amount of profit but also on the amount of costs or acquisition price of the relevant production assets. The technical attainability of these indicators varies. Costs of products are monitored by most agricultural enterprises, but the costs fluctuate depending on the weather in individual years and are centrally summarized only for the JZD Set. The assessment of working capital and capital assets does not fluctuate considerably in individual years, but they are determined for individual products by not quite 10 percent of enterprises. Normative data about product costs are available, while norms for the requisite funding resources for production sectors have not yet been devised.

Table 3. Necessary and Incentive Profit for 1982 (in Kcs/t, 1,000 1, 1,000 pcs)

| 1  | 2     | 3      | 4      | 5     | 6 (=col 3-2) | 7 (=col 4-2) | 8 (=col 7+5) |
|--|-------|--------|--------|-------|--------------|--------------|--------------|
| Wheat  | 171   | 348    | 393    | 134   | 177          | 222          | 356          |
| Rye  | 160   | -24    | 459    | 134   | --           | 299          | 433          |
| Barley   | 124   | 528    | 455    | 134   | 404          | 331          | 465          |
| Seed corn  | 239   | 770    | 1,010  | 134   | 531          | 771          | 905          |
| Rape   | 208   | 383    | 643    | 752   | 175          | 435          | 1,187        |
| Consumer potatoes  | 63    | -86    | 287    | 16    | --           | 224          | 240          |
| Flax--fibers   | 158   | 314    | 1,020  | 421   | 156          | 862          | 1,283        |
| Sugar beets  | 42    | 75     | 83     | 22    | 33           | 41           | 63           |
| Hops   | 6,382 | 17,152 | 22,391 | 6,106 | 10,770       | 16,009       | 22,115       |
| Grapes   | 649   | 2,034  | 3,204  | 943   | 1,385        | 2,555        | 3,498        |
| Milk a (=profit of intermediate product in profit for final product) | 326   | -100   | 440    | 104   | --           | 114          | 218          |
| Milk b (=profit of intermediate product in costs of final product)   |       | 212    |        |       |              |              |              |
| Horned cattle fattening a  | 1,961 | 600    | 2,320  | 570   | --           | 359          | 929          |
| b  | 958   |        |        |       |              |              |              |
| Hog fattening a  | 883   | 30     | 720    | 191   | --           | --           | 28           |
| b  | 791   |        |        |       |              |              |              |
| Eggs JZD   | 33    | 21     | 50     | 11    | --           | 17           | 28           |
| SZP  | 33    | 49     | 55     | 11    | 16           | 22           | 33           |

Key:

1. Products
2. Computation of the objectivized need for profit
3. JZD Set profit without economic instruments
4. JZD Set profit including economic instruments
5. Compensation for damages (average of compensations from State Insurance in the socialist sector + 24.3 percent surcharge for coverage of uninsurable damages from the fund of the Ministry of Agriculture and Food)
6. Incentive part of profit computed from JZD Set profit (without economic instruments--only from procurement price)
7. Incentive part of profit computed from JZD Set profit (including economic instruments)
8. Incentive part of profit computed from JZD Set profit (including damage compensation)

The indicator of the measure of profit and, particularly, of the measure of profitability changes with increasing costs, potentially as the results of increased price of production means for agriculture; profitability necessarily decreases with the same volume of profit, and yet the given profit can be entirely adequate for financing the planned process of economic renewal. Differences in the need for profit in the case of individual products are connected with the distribution of production in different natural conditions (e.g., in the case of produce typical of better natural conditions profit

must cover a higher land tax), with the demands and rates of investment development (allocations from capital formation), and with the varying labor-intensiveness of production (allocations to consumer goods); differences in the level of costs are constituted by the productivity of labor attained in the given sector. Thus, the basis of price modifications or of proposed redistributions of the national income must always be the computation of the need for profit in accordance with the data of the applicable 5-year plan, and not the derived indicator of the level of profitability or of the measure of profit. Profitability and the measure of profits computed from the required need for profit are compared in Table 4.

Table 4. Profitability and the Measure of Profit (in percent)

| 1   | 2    | 3    | 4    | 5    | 6   | 7   | 8    |
|---|------|------|------|------|-----|-----|------|
| Wheat   | 26.5 | 30.0 | 13.0 | 14.4 | 208 | 6.1 | 14.1 |
| Rye   | -1.4 | 27.5 | 9.6  | 11.3 | 243 | 3.4 | 12.4 |
| Barley  | 42.2 | 36.3 | 9.9  | 11.7 | 310 | 6.1 | 15.9 |
| Seed corn   | 56.2 | 73.7 | 17.4 | 14.4 | 512 | 6.8 | 35.9 |
| Rape  | 11.1 | 19.2 | 6.2  | 8.4  | 229 | 4.0 | 9.8  |
| Consumer potatoes   | -6.3 | 21.0 | 4.6  | 5.6  | 375 | 1.3 | 10.1 |
| Flax  | 12.1 | 39.2 | 6.1  | 7.2  | 544 | 2.8 | 15.2 |
| Sugar beets   | 24.9 | 27.6 | 14.0 | 14.3 | 193 | 7.1 | 1.5  |
| Hops  | 29.1 | 38.0 | 10.8 | 12.0 | 317 | 3.1 | 10.3 |
| Grapes  | 40.2 | 63.2 | 12.8 | 14.8 | 427 | 4.0 | 19.0 |
| Milk a (=profit for intermediate product in profit for final product) | -2.6 | 11.4 | 8.5  | 9.1  | 125 | 2.2 | 3.0  |
| Milk b (=profit for intermediate product in costs of final product)   |      |      | 5.4  | 5.8  |     | 1.4 |      |
| Horned cattle fattening a   | 2.7  | 10.4 | 8.8  | 9.8  | 106 | 3.6 | 4.3  |
| b   |      |      | 4.1  | 4.5  |     | 1.7 |      |
| Hogs fattening a  | 0.2  | 4.5  | 5.5  | 5.9  | 76  | 4.3 | 3.5  |
| b   |      |      | 4.9  | 5.3  |     | 3.8 |      |
| Eggs JZD  | 2.4  | 5.7  | 3.8  | 4.0  | 143 | 1.9 | 2.8  |
| SZP   | 6.3  | 7.1  | 4.3  | 4.0  | 178 | 1.9 | 3.1  |

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**Key:**

1. Products
2. Profitability in JZD Set without economic instruments
3. Profitability in JZD Set with economic instruments
4. Profitability computed from needed profit vis-a-vis costs (necessary profit divided for individual products according to the methodology of the Federal Price Control Office--computed from State Planning Commission's documentation)---for JZD Set
5. Same as 4--Norm
6. Index (= column 3:5)
7. Measure of profit, needed profit, to capital assets + working capital
8. Measure of profit, JZD Set profit including economic instruments to capital assets + working capital
  - a. Actual price including surcharges and differential surcharges [not shown]
  - b. In acquisition price [not shown]

## Meeting of the Compensatory Function of Procurement Prices and Price Instruments

Actual prices including differential surcharges of the JZD Set in 1982 made it possible to attain profit for all analyzed products. Here the actual prices (without differential surcharges) were shown by the Federal Bureau of Statistics (FSU) in comparison to JZD's to be higher in the case of barley, rape, potatoes, hops, grapes and hogs.

Actual prices according to FSU, including average differential surcharges, for all JZD's do not compensate in normative costs the needed profit only in the case of eggs where, however, normative costs are disproportionately high and exceed the real costs of joint agricultural enterprises (SZP). In using the JZD Set costs, the needed profit is not fully compensated for in the case of milk and eggs in JZD's; however, the latter participate in procurement of eggs into state inventories by only 20 percent.

Actual prices from the JZD Set do not fully compensate for needed profit only in the case of hogs for fattening, but after the inclusion of compensation for damages the computed required need for profit is compensated for in all analyzed products. Thus, price compensation on CSSR average vis-a-vis costs of economic renewal (i.e., normative costs + required need for profit) in the cooperative sector, fulfills its compensatory function adequately.

### Incentives in Price Compensation

The incentive part of profit, representing profit in excess of required need, shows a rather unequal distribution in individual products without adequate justification. Actual price in 1982 exceeded the normative costs of economic renewal by as much as 50 percent in the case of grapes, rape, and consumer potatoes, while in actual JZD costs in recomputation to the average yield of 1977-1982 the maximum excess amounted to approximately 25 percent for the same products.

In comparing the incentive part of profit to its objectively needed part, the incentive part reaches, particularly in plant production, as much as several times the required need, being the highest in the case of flax, early potatoes, rape, grapes, seed corn, consumer potatoes, barley and hops.

If incentive profit in agriculture is to be socially regarded as indispensable, justified criteria and methods of measurement must be sought for assessing its adequacy in individual products. While differences in the amount of incentive profit in the case of individual products have currently increased due to recent modification of procurement prices, they are still considerable.

Higher incentive profits in plant production, particularly in the case of cereals, are due to faster increases in productivity of labor thanks to implemented mechanization and transition to biologically more productive strains. With a view to the risks posed by growing rape and the requisite incentives for expanded production to promote self-sufficiency, these incentive profits were used to lower the procurement price in the case of rape not at all, and in the case of cereals only partially in 1977.

The high incentive profits in the actual price of hogs and eggs in the Fifth and Sixth 5-Year Plans were gradually lowered, on the one hand by cutting differential surcharges to one-half in the case of eggs and to 90 percent for hogs and, on the other hand, by an increase in the procurement price lower than the price increases for means of production, particularly fodder mixtures, over the past several years. Horned cattle breeding until recently showed on the average a loss and incentive profits were generated only through differential surcharges and other supplementary price instruments under adverse natural conditions. Nevertheless, under the effects of directival methods for plan specification and also with a view to the biological linkage to plant production and ready financial resources from milk as well as selection of indicators of decisive importance for personal incentives, agricultural enterprises kept developing this "heavy industry" of theirs without regard to profitability.

However, a fuller application of the Set of Measures in agriculture calls for achieving khoraschet independence not only in an absolute majority of agricultural enterprises, but also in the case of individual agricultural products, both in overall average and under all natural conditions. This will call--after providing for the required need for profit in procurement prices--for coming to grips with the objectivization of incentive profits and objectivization of differential surcharges for optimizing the stake of agricultural enterprises in the planned development of individual products under all natural conditions.

#### Objectivization of the Incentive Part of Profit

The incorporation of incentive profits into the prices of products of other branches of the national economy is oriented strictly as a form of preferential pricing for technically advanced products, top quality products, fashion and luxury goods. Pricing disincentives are determined similarly for technically obsolescent products or poor-quality products, and products that are ineffective as exports.

In agriculture the incentive profit should increase primarily the needed profit in the procurement price of products that are planned to be developed, commensurately with the planned rate of growth. The planned rates already reflect the potentials of production from the viewpoint of logistical production support and, in many cases, react to any relative saturation of the market. For example, if production is to increase in 1985, in comparison to the average for the Sixth 5-Year Plan, by 91.5 percent in the case of rape, 15.2 percent for sugar beets and, on the other hand, decrease in the case of hogs by 95.5 percent, then promoting interest in achieving these rates will call for increasing the needed profit in procurement prices by 91.5 percent in the case of rape, 15.2 percent for sugar beets and 4.5 percent decrease for hogs, or a multiple or fraction of these figures.

Another criterion for objectivization of incentive profits can be seen in untapped resources in yields per hectare measured by the deviation of actually achieved yields per hectare from the standard over several years. For example, in the case of rape with a standard yield of 2.65 t/ha, only 2.05

t/ha were achieved on average over a decade, so that the standard is higher by 29 percent. Consequently, incentive profits would have to increase needed profits by 29 percent.

Risks attendant to plant growing can only be partially attenuated by a system of material incentives; thus, a more advisable solution should be seen in comprehensive insurance of crops.

In export products the criterion for incentives could be the promotion of interest in the relative effectiveness of exports measured by the deviation of the differential indicator exceeding in the agricultural-food complex the lower limit determined for a given year, e.g., 60 percent for 1983. Thus if, e.g., poppy seed is currently exported with a differential indicator of 80 percent, then the incentive profits would consequently amount to  $(80:60 \div 1.33)$  33 percent of needed profit.

In the case of contractually backed-up products as part of supply-demand contracts at freely negotiated prices, it would be possible to reflect in incentive profits also the difficulty attendant to the meeting of planned quotas by a coefficient expressing the relation of acreage or procurement without long-term contractual backing to the plan. For example, in the case of strawberries, contracting of procurement has for many years stood at 75 percent of the plan. An adequate measure of incentive profits could be applied to promote interest in fully meeting the planned contracting.

However, these criteria can be applied only within the framework of the total volume of incentive profits in the compensation of agricultural enterprises that is socially accepted from the viewpoint of the overall income situation of agricultural enterprises. Within this framework the individual incentive criteria could be applied fully, in part, or even left out in keeping with the overall economic situation in a given 5-year plan.

An illustrative computation of incentive profit according to the indicated criteria is shown in Table 5. The differences in effectiveness of incentives within the valid actual prices, including differential surcharges, and the sequence of effectiveness of incentives in practice derived therefrom is shown in Table 6. In most of the monitored products the sequence of the effectiveness of incentives in actual price compensation in 1982--with the price base including only needed profit or needed and incentive profits--does not change at all, or by only one degree. A certain exception is formed by seed corn; the shortcomings in its yields per hectare were already pointed out.

It can be said that in the valid price compensation the most incentives go to grapes, then potatoes, rape, barley, flax, seed corn, wheat and rye. The system of incentives is less pronounced in animal production and in the case of sugar beets.

Table 5. Comparison of Objectivized Computation With Procurement Prices of 1982 (in Kcs/t, 1,000 1,  
1,000 Pieces)

|  | 1     | 2     | 3     | 4 | 5     | 6     | 7      | 8      | 9      | 10     | 11     | 12     |     |
|--|-------|-------|-------|---|-------|-------|--------|--------|--------|--------|--------|--------|-----|
| Wheat  | 171   | 103.9 | 116.8 | - | 120.7 | 206   | 1,396  | 1,647  | 1,707  | 311    | 60     | -20    |     |
| Rye  | 160   | 88.2  | 117.5 | - | 117.5 | 188   | 1,600  | 1,965  | 1,945  | 345    | 243    | -243   |     |
| Barley   | 124   | 116.1 | 124.7 | * | 140.8 | 175   | 1,233  | 1,483  | 1,726  | 493    | 88     | 88     |     |
| Seed corn  | 239   | 135.1 | 102.6 | - | 137.7 | 329   | 1,991  | 2,046  | 2,134  | 143    | 571    | 571    |     |
| Rape   | 208   | 191.5 | 129.0 | - | 220.5 | 459   | 2,946  | 3,647  | 4,218  | 1,272  | 340    | -340   |     |
| Consumer potatoes  | 63    | 102.0 | 114.3 | - | 116.3 | 73    | 1,201  | 1,440  | 1,780  | 579    | 418    | -418   |     |
| Flax fiber   | 158   | 131.4 | 120.5 | - | 151.9 | 240   | 2,440  | 2,758  | 3,176  | 736    | 21     | -21    |     |
| Sugar beets  | 42    | 115.2 | 114.4 | - | 129.6 | 54    | 347    | 397    | 376    | 29     | 14,434 | 14,434 |     |
| Hops   | 6,382 | 131.5 | 112.4 | * | 143.9 | 9,184 | 62,227 | 68,151 | 82,585 | 20,358 | 2,648  | 1,163  |     |
| Grapes   | 649   | 127.6 | 123.1 | - | 150.7 | 978   | 5,378  | 6,863  | 8,026  | 2,648  |        |        |     |
| Milk a (=profit for intermediate product included in profit for final product) | 326   | 109.1 | -     | - | 109.1 | 356   | 3,926  | 4,206  | 4,172  | 246    | -34    | -34    |     |
| Milk b (=profit for intermediate product included in costs of final product)   |       | 212   |       |   |       |       | 231    |        |        |        |        |        |     |
| Horned cattle fattening a  | 1,961 | 107.4 | -     | - | 107.4 | 2,106 | 22,206 | 24,316 | 24,721 | 2,515  | 405    | 405    |     |
|  | b     | 958   |       |   |       | 1,029 |        |        |        |        |        |        |     |
| Hogs fattening   | a     | 883   | 95.5  | - | -     | 95.5  | 843    | 15,723 | 16,973 | 17,136 | 1,413  | 163    | 163 |
| Eggs SZP**   | b     | 791   | 96.9  | - | -     | 96.9  | 755    | 32     | 859    | 805    | 856    | -3     | 51  |

### Key:

1. Product
2. Computation of required need for profit
3. Incentive factors in production, plan for 1985, actual average for 1973-82
4. Incentive factors in reserves (t/ha), norm: average for 1973-82
5. Incentive factors in export effects, RU = 60
6. Incentive factors, total of columns 3 + 4 + 5 : 3 = average index
7. Needed profit including incentives (col. 7 = 2 + 6)
8. Price base = needed profit + incentive profit + costs; norm
9. Price base = needed profit + incentive profit + costs; JZD Set (Col. 8)
10. Yields in 1977-1982, in animal production at 1982 utility
11. Actual FSU 1982 price + differential surcharges of all JZD's
12. Difference between procurement price and base (col. 10-8)
11. " " (col. 10-9)
12. " " (col. 10-9)

\*RU 60 percent not reached in exports  
\*\*Costs of joint agricultural enterprises (SZP)

Table 6. System of Incentives for Prices of Agricultural Products

| 1                       | 2   | 3   | 4   | 5   | 6   | 7  | 8  | 9  | 10 | 11 | 12 |
|-------------------------|-----|-----|-----|-----|-----|----|----|----|----|----|----|
| Wheat                   | 126 | 122 | 106 | 104 | 104 | 8  | 8  | 8  | 8  | 9  | 8  |
| Rye                     | 124 | 122 | 100 | 99  | 108 | 9  | 8  | 11 | 11 | 8  | 9  |
| Barley                  | 146 | 140 | 121 | 116 | 115 | 4  | 4  | 5  | 5  | 5  | 5  |
| Seed corn               | 112 | 107 | 107 | 104 | 116 | 10 | 12 | 7  | 7  | 4  | 7  |
| Rape                    | 152 | 143 | 124 | 116 | 109 | 2  | 3  | 3  | 5  | 7  | 4  |
| Consumer potatoes       | 149 | 148 | 124 | 124 | 115 | 3  | 2  | 3  | 2  | 5  | 2  |
| Flax                    | 135 | 130 | 119 | 115 | 131 | 7  | 7  | 6  | 6  | 1  | 6  |
| Sugar beets             | 112 | 108 | 98  | 95  | 97  | 10 | 11 | 12 | 12 | 15 | 14 |
| Hops                    | 139 | 133 | 126 | 121 | 119 | 5  | 6  | 2  | 3  | 3  | 3  |
| Grapes                  | 159 | 149 | 123 | 117 | 121 | 1  | 1  | 4  | 4  | 2  | 1  |
| Milk                    | 107 | 106 | 100 | 99  | 102 | 12 | 13 | 11 | 11 | 18 | 13 |
| Horned cattle fattening | 112 | 111 | 102 | 102 | 101 | 10 | 9  | 9  | 9  | 13 | 10 |
| Hogs fattening          | 109 | 109 | 101 | 101 | 99  | 11 | 10 | 10 | 10 | 14 | 12 |
| Eggs JZD                | 100 | 100 | 94  | 94  | 102 | 13 | 14 | 13 | 13 | 11 | 15 |
| SZP                     | 100 | 100 | 106 | 106 | 103 | 13 | 14 | 8  | 7  | 10 | 11 |

## Key:

1. Product
2. Actual price index/FSU including differential surcharges of all JZD's to costs/norm + profit/needed
3. Actual price index/FSU including differential surcharges of all JZD's to costs/norm + profit/needed including incentives
4. Actual price index/FSU including differential surcharges of all JZD's to costs/JZD Set (JZD Set costs for 1982 at yields per hectare of the average for 1977-1982 and in animal production costs for 1982) + profit/needed
5. [Same as above three lines]/needed including incentives
6. JZD Set including economic instruments to costs, JZD's (JZD Set costs for 1982 at yields per hectare of the average for 1977-82 and in animal production costs for 1982) including needed and incentive profits
7. Relative placement of incentives in column 2
8. Relative placement of incentives in column 3
9. Relative placement of incentives in column 4
10. Relative placement of incentives in column 5
11. Relative placement of incentives in column 6
12. Resultant relative placement

## Relation of Procurement Prices

Rather than monetary exchange rate recomputation, international comparisons of the procurement prices of agricultural products use comparison of price relations with regard to a specific product, mostly fully convertible wheat, although domestic prices can be influenced in each country in a varying way by the effects of state interventions, yet mutual relations of the prices of agricultural products offer a certain amount of information about the price policy of a given country and, indirectly, about the attained degree of productivity of labor in individual products.

In comparing price relations to wheat, in the CSSR there appears to be, in comparison to the GDR, a relatively lower procurement price for barley and animal products and, conversely, a high procurement price for potatoes. Closer details are shown in Table 7.

Table 7. Relation of Procurement Price of Agricultural Products to the Price of Wheat

| Products                | Computed price<br>base profit |       |       | Actual prices |                | Procurement<br>prices |       |
|-------------------------|-------------------------------|-------|-------|---------------|----------------|-----------------------|-------|
|                         | a + c                         | b + c | b + d | In JZD        |                | CSSR                  | GDR   |
|                         |                               |       |       | (1)           | Set in<br>1982 |                       |       |
| Wheat                   | 100                           | 100   | 100   | 100           | 100            | 100                   | 100   |
| Rye                     | 116                           | 115   | 119   | 114           | 125            | 114                   | 108   |
| Barley                  | 87                            | 88    | 90    | 101           | 100            | 101                   | 115   |
| Seed corn               | 140                           | 143   | 124   | 125           | 140            | 122                   |       |
| Rape                    | 198                           | 211   | 221   | 247           | 234            | 236                   | 230   |
| Consumer potatoes       | 88                            | 86    | 87    | 104           | 97             | 99                    | 74    |
| Flax                    | 173                           | 175   | 167   | 186           | 213            | 177                   |       |
| Sugar beets             | 25                            | 25    | 24    | 22            | 23             | 22                    | 23    |
| Hops                    | 4,366                         | 4,458 | 4,138 | 4,838         | 4,772          | 4,614                 |       |
| Grapes                  | 371                           | 385   | 417   | 470           | 435            | 468                   |       |
| Milk                    | 286                           | 281   | 255   | 244           | 252            | 240                   | 270   |
| Horned cattle fattening | 1,621                         | 1,590 | 1,476 | 1,448         | 1,439          | 1,444                 | 1,571 |
| Hogs fattening          | 1,158                         | 1,126 | 1,031 | 1,004         | 998            | 992                   | 1,222 |
| Eggs JZD                | 63                            | 62    | 56    | 50            | 55             | 49                    | 59    |
| SZP                     | 63                            | 62    | 49    | 50            | 49             | 49                    | 59    |

Key:

- a. Computed required need for profit
- b. a + incentive profit from Table 5
- c. normative costs
- d. JZD Set costs in plant production at average yields of 1977-82 and in animal production at 1982 yields
- (1) For 1982 according to FSU including differential surcharges for average of all JZD's

#### Conclusions

1. The criterion for assessing the level and relations of procurement prices is formed by the objectivized base of procurement prices, which includes:

--normative costs of agricultural products,  
--required need for profit computed in relation to the 5-year plan,  
--incentive part of profit to a socially accepted extent.

2. The criterion of an enterprise's interest in certain production is the profit from which the enterprise generates resources for financing expanded economic renewal and for personal and social consumption inventories. The

objectivized need for profit is different in various types of production; thus, a higher rate of profitability need not indicate a higher degree of interest; the measure of interest can be measured on the basis of the difference between the actually attained profitability and that computed from objectivized documentation.

3. Profitability and the measure of profit for individual agricultural products must necessarily differ due to the effects of differences constituted by,

--in profit:

- differently planned rate of investment development,
- differences in labor intensiveness affecting allocations to consumption goods,
- distribution in varying natural conditions affecting the amount of land tax;

--in costs:

- the varying degree of the attained productivity of labor.

Thus, a uniform level of the measure of profit or profitability cannot be required for all agricultural products. The indicator of profitability will always remain a derived indicator and, as such, it cannot constitute the basis for economic decisionmaking.

4. In profit assessment, and the measure of profitability or the measure of profit of the attained price compensation in individual products, the profit must be increased by compensation for damages which replaces part of sales.

5. The applicable procurement prices, including differential surcharges and compensations for damages, fully cover the computed need for profit and the normative--and in most cases also accounted for--costs of JZD. In the case of most plant products an excess of profit that could be called incentive is also generated. The extent of incentive profits must be objectivized for the Eighth 5-Year Plan for agricultural production and for individual agricultural products.

6. I propose that the criteria used in the distribution of incentive profits be primarily the planned rate of increases in production for the market based on the average of the preceding 5-year plan, and--in an auxiliary role--the untapped resources in the actually attained average yield per hectare vis-a-vis the norm, effectiveness of exports beyond the specified limit, and difficulties encountered in acquisition of contractual acreage due to unresolved factual problems of the given production.

7. Under 1982 price conditions, incentive profits for the average of the CSSR cooperative sector among the monitored products were attained for grapes, potatoes, barley, flax and corn, while they were missing in the case of sugar beets, milk, and within the JZD Set in the case of hogs.

8. Price relations in the GDR indicate higher incentives for barley and animal products and, conversely, incentives for potatoes.

CZECHOSLOVAKIA

CONTINUED DEVELOPMENT, TASKS OF STATE FARMS DISCUSSED

Prague EKONOMIKA POLNOHOSPODARSTVA in Czech No 10, 1984 pp 433-435

[Article by Eng Zdenek Hoffmann, CPCZ Central Committee: "Further Development and Tasks of State Farm"]

[Text] As a rule, wide strata of our population connect the 35th anniversary of the introduction of socialization in our villages, which we are commemorating this year, solely with the organization of unified agricultural cooperatives [JZD]--with collectivization of our agriculture. The role which our state agricultural organizations, among them in particular state farms, played at that time and throughout the period of building socialist agricultural mass production has not always received due recognition. Their position and purpose, especially in the initial stage of socialization, were truly significant. Besides their natural role of serving as a model of socialist agricultural mass production, of proving to the farmers the advantages of modern agriculture, joint labor, its mechanization and chemicalization, of assisting in political work and persuading the farmers, and at the same time of providing improved seeds, seedlings and breeding material, the state farms were assigned two specific additional tasks: to act during the period of transition as a balancing and stabilizing factor in supplying food for the population and raw materials for the processing industry, and the no less complex duty, which was especially urgent in the post-war period, of taking over the management of abandoned and other released agricultural lands and ensuring their maximum yield. Furthermore, that was connected with a rapid expansion of the soil base of state farms, which increased from 440,000 hectares in 1949, when they were organized in their socialist form, to 1,170,000 hectares in 1960, and at their areal location holdings were concentrated mainly in the mountainous and hillside areas, and in the Czech lands in the border zone.

At this point, after the necessary lapse of time, it may be noted that state farms as a whole have fulfilled their task during the stage of socialization of our agriculture and building of cooperatives. They have made their contribution to a successful course of collectivization and to the overall satisfactory fulfillment of main demands that our society had imposed on our agriculture during the crucial period of changes in production relations and basic reconstruction of our production

base. Among other things, they contributed in particular, for example, by providing supplies of meat, which already at that time was very much in demand. Under especially difficult conditions they were able to rapidly develop livestock production, in many instances under austerity conditions, and to increase the herds of livestock and the deliveries of livestock products to the market. Specialized state farms played an important role--farms for mass fattening of hogs and later, after 1960, the Drubeznictvi [Poultry Farms] enterprises, meant practically the first step toward industrialization of those two branches of livestock production and blazed the trail to other forms of integration in agricultural food production.

State farms played a positive role also during the period of consolidation and stabilization of the JZD's in the early 1960's. In conjunction with the organization of larger cooperative units and with the pressure for higher efficiency of their management, they took over in only 5 years, i.e., from 1961 to 1965, another 600,000 hectares of agricultural lands, mainly from JZD's that were unable to cultivate economically lands with insufficient investment and technical equipment for the production. By the same token, they were forced to adapt further occasionally even at variance with their conditions for production, the structure of their production to the needs of our national economy; they took over these tasks of production and delivery that could not be assigned to the cooperative sector. Because of the urgency to complete the foundation of organized cooperative units, the modernization of capital assets in the state farms was also lagging behind. Naturally, as a consequence state farms were less and less able to fulfill their initial main task--to serve as a model of socialist agricultural mass production--and considerable differences in the growth rate of the production and in economic achievements between the JZD's and the state agricultural enterprises became evident, as did a conspicuous differentiation between private farms, which stemmed for subjective factors as well as from objective conditions.

#### State Farms in the New Situation

On the basis of such a situation, in agreement with the decisions of the 14th CPCZ Congress, the Main Directions for the Further Development of State Farms were drafted and in October 1975 approved by a plenum of the CPCZ Central Committee. They emphasized that state farms would have some specific tasks even in the forthcoming period. In particular, they stressed the task of ensuring biological materials of high quality for all of our agriculture--in this conjunction the future development of specialized state farms and whole organizations of biological services was outlined--and after the 16th Congress especially the important task to serve as a direct instrument of the state for enforcing and stimulating R&D progress, better utilization of all resources for the growth of agricultural production and for improving labor productivity. Thus, state farms were gradually regaining the position of enterprises which were the showcases of the advantages of modern socialist agricultural mass production. At the same time, in order

to upgrade the standard of management in state farms and to develop them further, measures were specified and adopted in the areas of production, economy, cadre program and management.

Following the Main Directions, the problems of state farms were discussed again at the 13th Plenum of the CPCZ Central Committee in 1979 and by the Fourth Plenum of the Central Committee in 1981. That session adopted the Improved System of Planned Agricultural Management, which very emphatically consolidated the economy of our state farms and provided the prerequisites for higher material incentives for their employees.

The development confirmed that the new orientation of state farms and the further directions of their development were correct. Although some of the adopted measures, above all those of a long-range character, have not been completely fulfilled, they have already been reflected, particularly in recent years, in better achievements in terms of both production and economy.

At present state farms and other state agricultural organizations are managing 1,814,000 hectares of agricultural land, i.e., more than 28 percent of its total acreage in the socialist sector. Although specialization has been introduced, the farms in their traditional form, managed by agricultural administration, predominate; as of 1 January 1984, a total of 161 [state farms] managed average acreage of 8,745 hectares. That figure includes six sectoral enterprises operating within an entire okres and, in case of the Sumava sectoral enterprise, in as many as three okreses. There are 67 centrally managed state farms, particularly within organizations of biological services, with average acreage of 6,000 hectares. The area obtained by those enterprises has created, with some exceptions, sufficient space for a mass production organization, concentration and specialization of production. Some state farms, however, are handicapped because the land they hold is very scattered. On the basis of the Main Directions adopted in 1975, some positive steps have been taken, especially in certain krajs, for instance, in the South Bohemia or South Moravia and North Moravia Krajs. In other krajs, however, delimitation is facing local problems. For example, according to the information of the Ministry of Agriculture and Food of the Republic, a total of 45 locations in the SSR are cut off from the central land holdings of the state farms with relatively small average acreage of 580 hectares. Naturally, the scattering of agricultural land resources leads to problems in the organization of production and necessarily also to higher costs, especially for transportation, transfer of technology and so on.

In comparison with the cooperative sector, agricultural land resources of the state farms are of demonstrably lower quality. With delimitation carried out in conjunction with the merger of holdings, the share of lands in corn- and beet-growing areas declined, particularly in farms managed by agricultural administrations; for instance, state farms share a total of 25.5 percent in the acreage of the socialist sector in the CSR but are operating more than 70 percent of its total acreage in

mountainous and hillside areas. This leads to a problem in recruiting work forces whose number in proportion to the cultivated lands in all state farms, and in particular in those areas, has been on the decline. It is conspicuously lower in [state] farms than that of work forces employed in the JZD's.

#### Improved Standard of Production and Economy in State Farms

In this situation it is gratifying that recently, especially in the first 3 years of the Seventh 5-Year Plan, the standard of agricultural production in state farms was significantly raised, although of course it has not reached, and objectively viewed could not reach, the level of the production of JZD's. Gross agricultural production, in conversion per hectare of agricultural lands, increased in state farms managed by agricultural administrations from the average of Kcs 9,880 achieved in the Sixth 5-Year Plan to Kcs 12,560 in 1981-1983, which means by more than 27 percent. Although livestock production in particular continued to contribute to that growth--by the same comparison it increased by 29.7 percent--it is advantageous that unlike in the preceding 5-year plan the rate of growth of the crop production was markedly accelerated and increased by 23.7 percent.

Per hectare yields of grain crops increased in 1981-1983 by 4.1 percent as compared with the average for the Sixth 5-Year Plan and in 1983 they were already approaching 4 tons; by the same comparison [the yield] of potatoes increased by 13.5 percent, that of rape by 8.3 percent and of multiannual fodder crops by 11.7 percent. Among the main crops only the yield of sugar beets was basically stagnant (index 100.5 percent). In livestock production primarily cattle-raising and above all milk production were further developed. In conversion per hectare of agricultural lands it increased in the first 3 years by 9.1 percent over the average of the preceding 5-year plan and amounted to 874 liters as compared with only 791 liters in 1980. Furthermore, the per hectare production of alaughter cattle was slightly up, mostly, however, because the herds increased; as compared with the Sixth 5-Year Plan, the daily increase in recent years declined somewhat, mainly because of the austerity measures in grain consumption, which greatly affected that sector in the state farms as in all of our agriculture. The production of slaughter hogs declined as a result of the restrictions.

Over the past 2 years the economy of our state farms improved significantly, which means it literally turned the corner. Outputs projected per hectare of agricultural lands increased from the average of Kcs 12,760 achieved in the Sixth 5-Year Plan to Kcs 16,616 in 1982 and Kcs 17,932 in 1983. The costs per Kcs 100 out outputs, which in 1976-1980 amounted to Kcs 100.9, declined in 1982 to Kcs 94.60 and in 1983 further to Kcs 92.40. The management of the farms ended the Sixth 5-Year Plan with a deficit of Kcs 111 per hectare of agricultural lands and its returns on costs were negative, while in 1982 the state farms showed profits of Kcs 891 per hectare and their returns on costs amounted to 5.48 percent. Last year it was as much as Kcs 1,354 with

returns of 8.17 percent. Naturally, one cannot ignore the fact that, besides better achievements in production and the attention paid to economy and rational utilization of materials and other resources, such achievements were made possible by the adjustment of economic mechanisms implemented in the framework of the system as of 1 January 1982, particularly consolidated differential premiums which improved the financial situation of agricultural enterprises located in harsh natural conditions, where most of our state farms are operating.

Better economic achievements of our state farms made it possible to strengthen special compensation funds for labor and thus to upgrade them. The average monthly wage was up from Kcs 2,323 in the Sixth 5-Year Plan to Kcs 2,666 in 1982 and to Kcs 2,787 in 1983. Although it has not yet reached the level of rewards in the JZD's and is below the average wage in our national economy, higher material incentives, along with special measures adopted in 1983 for stabilization of work forces in remote areas and in the district of the coal basin in northwestern Bohemia, have provided more auspicious conditions for the stabilization of work forces in state farms.

A similar--and from certain points of view even more positive--shift took place in the fulfillment of the tasks and in the management of specialized state farms incorporated in the organization of biological services. In comparison with state farms managed by agricultural administrations, they are achieving higher outputs in conversion to their land holdings as well as higher profitability, which, of course, is determined by their specialization, territorial situation and better equipment with work forces and capital assets in relation to the land under their management. Nevertheless, especially important is the gradually improving fulfillment of the tasks and purpose of our state farms. For example, the seed-producing state farms incorporated in the Oseva and Slovosivo VHJ's [economic production units] share approximately 20 percent in the total production of the seeds of our main crops; the Sempra and the Semex VHJ's are producing on their land base almost 30 percent of the total production of vegetable seeds and seedlings and approximately one-third of fruit seedlings. In the sector of livestock production, breeding farms are making increasing contributions particularly in improving the quality indicators in the process of replacement; in their newly built giant farms the Velkovekrymny [Mass Fattening Farms] VHJ is fattening roughly 25 percent of the total production of breeding boars, 15 percent of the sows, and almost 10 percent of the total production of slaughter hogs in the CSR.

#### Untapped Assets and Their Use

Despite the achievements and the overall good fulfillment of most of their tasks, most state farms and other agricultural organizations still have weak spots in their management and one may say that the possibility of raising their level represents one of the important, strong potentials in our agriculture. This may be confirmed not only by comparing the intensity of the production and economic achievements of the state farms

and the JZD's which, due to really different conditions--even in the same production area--often is not objective, but above all by the continuous marked differentiation in the results and rate of development within the state agricultural sector in recent years. As the development has shown, the solution lies in consistent implementation of the Main Directions for the Further Development of State Farms which were approved by the CPCZ Central Committee in October 1975 and which practice has confirmed. Most measures contained therein have long-range application and are of a permanent character.

Of special importance is above all the task of completing the unification of land holdings of state farms whose spread in many instances continues negatively to affect mainly their economy. Nevertheless, it appears that in the delimitation of land holdings it may not be possible to demand reciprocity in acreage unconditionally. On the other hand, it is impermissible at such occasions to let the structure of agricultural land resources of the farms deteriorate even further in terms of its value. In conjunction with the process of land unification the structure of production must be better adapted to natural conditions; concentration and specialization must be intensified as ways to better utilization of production assets and to more intensive and efficient production.

Investment programs must be approached systematically and new inputs must be focused on modernization and the reconstruction of outdated equipment, which still represents a major part of capital assets in many farms; priority must be given to the utilization of investment funds for improving agricultural land resources.

Furthermore, this is a question of taking full advantage of the opportunities stemming from an improved management system for raising the material incentives of employees. For their stabilization the fund for cooperation and enterprise housing must be expanded by every available means and more attention must be focused on the environment in locations where the farms operate; the cooperation with national committees and public organizations must become more effective than it has been thus far. By the same token, programs for employee training will be upgraded and sufficient numbers of young people will be recruited for apprentice training schools. The initiated course for a better structure of qualification of the managers, technicians and economists must be systematically followed.

To raise the standard of subdivision planning and management, the application of principles of subdivision khozraschet must be continuously expanded, and in that conjunction progressive forms of rewards, such as rewards for teams, will be introduced.

Great emphasis must be placed--also by managing authorities--on the implementation of intensification programs on the farms, and especially on farms with lower standards of management special attention must be focused on the application of R&D achievements. As already underscored in the Main Directions, inadequate application and slow practical

introduction of R&D achievements are among the underlying reasons why those enterprises are lagging behind. In this respect agencies of supraenterprise management as well as our R&D base, which is still oriented mainly toward aiding and introducing the achievements of its efforts in our foremost agricultural enterprises, must provide more assistance precisely to the weaker state farms.

In specialized state farms incorporated in organizations of biological services the arrangement of their production base must be fully resolved, their technical equipment upgraded in agreement with their orientation, and their purpose and focus emphasized even more.

Of course, the main prerequisite for the further successful development of our state farms and mobilization of the existing untapped resources in their management is the dynamic approach and initiative of their employees. Aktivs of state agricultural organizations in our republic and the implementation of their decisions should signal the start toward that goal.

9004

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CZECHOSLOVAKIA

INTENSIFICATION VIEWED AS ONLY WAY AHEAD

Prague HOSPODARSKE NOVINY in Czech No 48, 1984 pp 1, 5

[Lead article by Engineer Jiri Hlidek, DrSc: "Integration a Part of Our Development Strategy"]

[Text] The strategy of intensifying economic development, which the 14th CPCZ Congress adopted and the 15th and 16th congresses confirmed, is assuming a new dimension under the present international conditions, because coordination of the CEMA countries' efforts and a higher level of socialist economic integration have become an even more urgent prerequisite in the 1980's than in the past.

Factor of Raising Efficiency

It is generally valid that external economic relations are an important factor of economic growth. And this is the more valid, the smaller the country and the more developed its economy. Foreign trade under the extensive strategy is primarily a means of obtaining the scarce resources, e.g., the raw materials and energy that the economy lacks. Under the intensive strategy, however, foreign trade must become primarily a factor of raising efficiency, through the savings resulting from returns to scale, comparative advantages, and concentration of effort.

But this is merely a brief schematic formulation of a situation that essentially is much more complicated. In this sense one could say that development of the intensive type is an intricate socioeconomic complex influenced by a series of mutually interdependent changes in the factors and relationships of growth. Qualitative changes in the role and weight of external economic relations figure prominently here. Namely, under the conditions of a relatively small and highly open economy, such characteristic features of intensification as, in principle, the increased importance of progress in research and development, faster realization of R&D results, greater pressure for faster structural changes, and a pronounced rise in the level of the processes of adding value are unable to fully assert themselves unless adequate conditions are created in the sphere of external economic relations. At the same time, this dependence is valid in both directions.

On the one hand, the need to step up the rate of innovations and structural changes places new requirements on external economic relations and demands the

intensification of international socialist integration, of the related international cooperation and specialization, particularly within the individual branches and sectors, the increased ability of trade to react to changes, the intensification of the informal integration of research, development, production and trade, etc.

On the other hand, foreign trade necessarily exerts more pressure on domestic production, the concepts of its specialization and innovation, its economic parameters, quality, flexibility, etc., because foreign trade sets for domestic production certain economic criteria that are far more inexorable, and it is vehicle for stimulating preferentially the qualitative aspects of economic development. In other words, while under the earlier conditions of extensive development the growth of the physical volumes of foreign trade, in organic unity with the rapid growth of the physical volumes of domestic production, was in the forefront of attention, the orientation on intensification shifts the emphasis to the qualitative aspects of the influence that foreign trade (the international division of labor) exerts on the domestic economy. Here, of course, the point is not to reduce the requirements regarding the expansion of foreign trade in terms of quantitative volume. To the contrary, it follows from the preceding that the sphere of foreign trade will rapidly expand. However, the main law governing its growth will not be the "export of physical volume" but, figuratively speaking, the "export of value."

Foreign trade, or participation in the international division of labor and in socialist integration, becomes the catalyst for greatly enhancing the value, quality and efficiency of social labor.

Admittedly, nothing comes free in economic policy. Certain conditions have to be met to "open up" the economy, and this involves certain risks. Naturally, the expansion of trade with the socialist countries takes place in the spirit of cooperation and internationalism, but the demanding marketing and pricing conditions apply to the socialist world market as well.

Generally speaking, only the country that is able to remain competitive amidst the rigorous conditions of the world market, thanks to the technological level of its products and the quality of its trade-related services, can afford to widen the openness of its economy to foreign trade. Opening up the economy involves also the risk that external "disturbances" might be transferred into the domestic sphere. Consider, for example, the timely consequences of world inflation, and of the economic slumps in the capitalist world. There are also various specific problems in the development of the international division of labor, stemming from the basic differences between the capitalist (market) and the socialist (centrally planned) economies, and also from specific differences between individual socialist countries.

However, the political obstacles that the imperialist circles are raising pose far greater difficulties and risks for the development of international economic cooperation and foreign trade. That was the case particularly in the 1950's due to the embargo, and it is again true today when restriction of the conditions of economic cooperation and various forms of discrimination against the socialist countries have become means of political blackmail.

The more we must therefore appreciate the fact that international specialization and cooperation within the framework of socialist international economic integration have truly become a very effective instrument for overcoming the obstacles and risks, and simultaneously for gaining the advantages that stem from the openness of the national economies. CEMA was established already in 1949 with this objective in mind. An important milestone in CEMA's existence was the adoption in 1971 of the Comprehensive Program that formulated the objectives and tasks in a stage when the European socialist countries had essentially completed the industrialization phase of their development. This year's CEMA summit meeting adopted a standpoint on the tasks that stem from the internal objective of economic development's comprehensive intensification, and from the mentioned external political conditions as well.

#### Changes in Long-Term Trends

The extent of participation in the international division of labor can be assessed with the help of certain aggregates. One such aggregate is the share of export within national income. The data indicate that this share rose rapidly in the European socialist countries in 1960-1980 and was around 40 percent by the end of the period (at current prices). The question arises whether the extent of an economy's openness measured in this manner is commensurate with the degree of development and size that the individual national economies have attained. Here, understandably, I start out from our conditions and do not wish to generalize. The answer is not an unambiguous one: international comparisons encounter first of all a number of methodological difficulties, and the result depends on what specific computation was used.

In comparison with the smaller countries of Western Europe, however, it may be estimated that the extent of our economy's aggregate openness is narrower, and this difference indicates that there still are reserves in the socialist economies'--and particularly of the Czechoslovak economy's--participation in the international division of labor. The development of Czechoslovak export's share of total world import also indicates the existence of such reserves. The data document the long-term trend of this share's decline in the markets of the nonsocialist and the socialist countries as well. This is due in part to the growth of the other socialist countries whose postwar development started from a lower level, and to the growing share of the so-called new industrial countries. But in part it is also a signal that the competitiveness of our products has not improved sufficiently.

Certain changes occurred in these long-term trends in the mid-1970's. Our share of total export within national income declined, specifically as a result of marketing difficulties in our trade with the advanced capitalist countries. Thereafter the elasticity of export increased, and export at constant prices rose faster than national income, but in the early 1980's this share dropped again. This was due, among other things, also to changes in the economic development of some of the socialist countries, including a certain decline of the import volumes.

The outlined global trends involved also certain changes in the territorial and commodity structure of Czechoslovak trade with the other socialist countries.

Within Czechoslovak export, the share of the Soviet Union as our most important trading partner continued to rise from the early 1970's on. In the second half of the 1970's, also the proportion of Czechoslovak export to advanced capitalist countries rose slightly, while the proportion of Czechoslovak export to the European CEMA countries (without the Soviet Union) declined. So far as the territorial structure of Czechoslovak import is concerned, the share of the Soviet Union rose rapidly, while the shares of other provenances declined: the share of the European [CEMA] countries declined commensurately with their share of Czechoslovak export, while in the case of the remaining provenances the decline in their share of Czechoslovak import was faster than their share of Czechoslovak export would have warranted. These changes reflected, among other things, the European socialist countries' adjustment to the higher petroleum prices and their efforts to reduce their hard-currency indebtedness; in other words, they reflected medium-term economic policy, rather than the strategic objectives of intensification. The data on the changes in the commodity structure of Czechoslovak foreign trade also confirm this.

Exceptionally sharp was the rise in the share of Soviet energy sources within import (at current prices), while the share of other raw materials and foods declined. At the same time, the share of Czechoslovak machinery and equipment export to the Soviet Union rose further, and the share of consumer goods within export was by no means insignificant but it did not rise. Relations with the socialist countries were influenced by the practice of "structural balancing." Raw materials and semifinished products retained their largest share of Czechoslovak export to advanced capitalist countries, and within this the share of fuels rose. The share of consumer goods remained unchanged, and the share of machinery and equipment showed a decline rather than a rise. In import, of course, raw materials again accounted for the largest share, and machinery and equipment retained their considerable share of import.

#### Contradictions Between Potential, Real Advantages

The degree of the national economy's aggregate openness is essential but insufficient information. A rise in the volume of foreign trade does not tell us anything as yet about the effects of such a trend. Therefore the information that the data on the commodity structure of trade provide is more important. The present practice of commodity trade among the European socialist countries indicates that trade within branches and sectors has intensified. This is a favorable trend, one that corresponds to the level of economic development attained by countries which have more or less completed the stage of socialist industrialization and are now confronted by tasks similar to those of the Czechoslovak economy. This trend indisputably provides the prerequisites for deriving qualitatively higher returns from socialist economic integration. But not even here can one imagine development outside the dialectics of certain contradictions and problems.

The computations by some experts indicate that, in contrast with the persisting conceptions, the level of Czechoslovak foreign trade within branches and sectors is fairly high, even though it falls short of the level in such comparable countries as the Netherlands, Belgium or Austria. However, such aggregate data conceal certain problems. First of all one would expect the favorable development to be reflected in, or to be accompanied by, corresponding changes in the

production structure of the manufacturing sectors, specifically the narrowing of engineering's product assortment. Practice, however, does not much confirm this logical conclusion. The explanation as to why this is so must be sought to some extent in the high proportion of reexport, of so-called export and import crosshauls. In other words, in the not always rational composition of trade within branches and sectors.

There are available, of course, also direct data on the share of cooperative and specialization agreement within the total volume of trade with socialist (respectively capitalist) countries. These data again confirm that the level of the higher forms of economic cooperation is rising. However, the higher forms of economic cooperation must also lead to greater efficiency, otherwise cooperation and specialization would not make sense. But in some cases we establish in retrospect that this is not entirely so; that the anticipated advantages have not been realized. This, of course, does not apply to us alone, and other countries may have similar experience with our deliveries.

From the preceding there follows the demanding task of making this area of economic cooperation more effective. That it is high time to devote closer attention to the specific decisions in the given area, to strive to combine the data base (particularly on pricing), and in general to introduce systems measures that will bring the real advantages of socialist integration closer to the potential advantages, thereby increasing the importance of these real advantages from the viewpoint of intensifying economic development in every participating country.

#### Pillar of Economic Cooperation

Let us now turn to the exceptional position of the Soviet economy within our external economic relations and in CEMA in general. The great raw-material and human resources of the Soviet Union predetermine its exceptional status in socialist economic integration. Although the Soviet Union's share of Czechoslovakia's machinery and equipment import is considerable and includes some especially demanding sectors such as deliveries for the construction of nuclear power plants, etc., up to now the import of raw materials has been the dominant, particularly of energy sources during the past decade. This has been an important stabilizing factor in the development to date. The rapidly rising domestic consumption of raw materials and energy was ensured through the rapid growth of the volumes of Soviet import under favorable economic conditions. (The other socialist countries were in the same situation more or less.) In the 1970's, however, radical changes occurred in the external and internal conditions, and these changes do not permit extrapolation of the past trends into the 1980's and 1990's.

The point is not merely that the world prices of raw materials, and of energy in particular, have changed and are being projected gradually, in accordance with the mutually agreed pricing formula, into the prices in the socialist market. Simultaneously there has been an extremely sharp rise also in the Soviet Union's extraction and transportation costs. It is sometimes said that the Soviet Union's raw-material base has shifted to the Urals, with all the resulting consequences of such a shift. The solution of these consequences is within

our grasp. But it requires of Czechoslovakia an active approach to what we will offer the Soviet Union in the future; carefully thought out concept of innovation, commodities, cooperation and specialization; a concept that will be in accord with the objective of intensifying both the Soviet and the Czechoslovak economy, and with the new stage of socialist economic integration. Particularly the reduction of production's material and energy intensity, and hence of its import intensity, lies within our control. At the same time, this orientation does not undermine the Soviet economy's exceptional importance for Czechoslovakia's further economic development (and for the economic development of the other socialist countries as well). To the contrary, it reinforces the Soviet economy's new functions in line with building developed socialism in the period of the scientific and technological revolution.

As development proceeds, utilization of the Soviet Union's human, scientific and technological resources is replacing the high degree of utilization of the Soviet Union's raw-material potential. But this change, too, cannot take place without our active approach, without clarifying the new structures of commodity trade, production cooperation, and collaboration in research and development. The Soviet market and also the market of the other socialist countries are becoming more demanding for us, and here too there is growing pressure for the competitiveness of Czechoslovak export. (Incidentally, the declining share of Czechoslovak export to these markets, particularly of the export of machinery and equipment, is another indication of this pressure.)

It must be admitted that the conditions for such a radical change can be created only gradually. But we must further develop our mutually advantageous collaboration already now. This requires greater flexibility of the Czechoslovak economy in general, and more consistent coordination of the agreements on economic and R&D cooperation with the domestic objectives of Czechoslovakia's long-term socioeconomic development. Up to now we have not fully perceived the changes in the structure of the Soviet demand for our export, changes that stem from the Soviet Union's latest developmental programs. To pay for the imports of petroleum and natural gas, the share of our traditional engineering export is being increased. But this is not always in accord with the long-term needs of economic cooperation and merely prolongs the inertia of Czechoslovak engineering's production structure. Adequate capacities have not yet been built to increase the export of consumer goods. On the other hand, very good specific results have been reported in the construction of joint projects in the Soviet Union, which will ensure for us long-term deliveries of certain raw materials and semifinished products.

#### General Economic Interdependence

The participation of Czechoslovakia and the other socialist countries in the international division of labor, specifically within the framework of CEMA, has increased in the past. The second half of the 1960's also marked the start of the intensive development of trade and other forms of economic cooperation with the advanced capitalist countries. The indisputable mutual advantages of such cooperation were one of the specific results of actually pursuing a policy of peaceful coexistence. The changed economic conditions after 1973 undermined this course. Demand for the socialist countries' export declined. Because the

socialist countries failed to immediately adjust to this change, the deficit of their balance of trade with the advanced capitalist countries temporarily increased. But the Reagan administration's present policies have become the main obstacle to the further development of economic cooperation between countries with different social systems.

The socialist countries, however, are not renouncing the further development of economic cooperation with nonsocialist countries. The report presented at the 9th session of the CPCZ Central Committee, for example, states the following: "This is a concept that reduces our dependence on the behavior of the capitalist political and financial circles. At the same time we wish to emphasize that we are unalterably in favor of mutually advantageous cooperation and trade with these countries."

The present level of the productive forces' development, the internationalization of production and trade, and the intensity of world progress in research and development have exceptionally reinforced general economic interdependence. The wheels of history can never be turned back and, despite the political plans of the reactionary forces, we cannot return to the 1950's, the period when the socialist and the capitalist world systems were practically isolated. The West needs the Soviet Union's raw materials, and it needs a market to stimulate the growth of production. Cooperation is to the West's advantage, just as the socialist countries have no reason to ignore in their own plans the results of research and development in industry and agriculture within the capitalist world. This, too, is a part of the strategy of comprehensive intensification --including the intensification of the international division of labor--to utilize, if and when favorable conditions are ensured, mutually advantageous cooperation ranging from customary trade to the higher forms, such as licensing and cooperation agreements.

Even though aggressive imperialist circles are now obstructing international cooperation, we will not be unprepared for a possible more favorable change in the situation. But it is essential for us to realize that, parallel with the present crisis phenomena in the capitalist economy, there are gradually taking place also important structural and scientific and technological changes that further raise the requirements regarding the competitiveness of Czechoslovak export to nonsocialist countries. And, most importantly, this indirectly raises the requirements regarding the competitiveness of Czechoslovak export to the socialist market as well. Even today we have products that are in demand and are able to withstand competition. Or only the proverbial small step is needed to make them competitive.

The sober economic policy that Czechoslovakia has been pursuing since the late 1970's has produced its fruits: we have turned around the development of our balance of payments with nonsocialist countries and are gradually liquidating --as one of the few countries in the world to do so--our foreign indebtedness. This is sufficient, on the economic level, to consolidate our relations with these countries. Logically we must arrive at a qualitatively new stage, from the curtailment of inefficient imports to a predominantly pro-export policy. Here again we must of course emphasize: if the international political situation permits. Therefore we must also differentiate.

There is wide room for mutually advantageous cooperation with the developing countries. In conjunction with the long-term outlook of the national economy's socioeconomic development through 1995, here too we must formulate and gradually implement an active concept of developing these relations. True to the socialist nature of our society, we are a reliable partner of the developing countries in their efforts to increasingly industrialize, provide jobs and raise the standard of living. Such cooperation can be advantageous for our future economic growth as well, in view of the developing countries' specific natural conditions and frequently of their rich raw-material deposits as well. The situation, of course, is not so simple, due to the developing countries' balance-of-payments difficulties. But there are considerable opportunities to develop mutually advantageous cooperation with them.

The basic conclusion that follows even from this brief review is obvious: Intensification of the international division of labor, and of socialist integration in particular, is an inseparable part of our development strategy for the coming decades. It must not be regarded as a partial task, or as something "in addition." We may even say that the overall concept of intensification must be derived from a thorough clarification of the Czechoslovak economy's place in relation to the Soviet economy and the economies of the other CEMA countries, and from strengthening and making more efficient our participation in the international division of labor in general.

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GERMAN DEMOCRATIC REPUBLIC

ENVIRONMENT MINISTER REASSERTS CONCERN FOR BERLIN AIR, WATER

East Berlin NEUES DEUTSCHLAND in German 25 Jan 85 p 2

[ADN interview with Dr Hans Reichelt, deputy chairman of the Council of Ministers and Minister for Environmental Protection and Water Management. Date and Place of interview not given.]

[Text] [Question] A few days ago at a CDU election meeting, the chief mayor of West Berlin, Mr Diepgen, blamed the "Trabbi at Prenzlauer Berg" for the high environmental stress on West Berlin. What can you as the minister for environmental protection of the GDR, say about that?

[Answer] Mr Diepgen showed little expertise in matters of environmental protection and little knowledge of the true causes for the environmental stress on West Berlin.

People Who Live in Glass Houses Should Not Throw Stones

[Question] What are you basing that observation on?

[Answer] As a matter of fact we should first note that the environmental stress on West Berlin has nothing at all to do with the Trabbi. West Berlin regards sulphur dioxide and nitric oxide as the major air pollutants. For sulphur dioxide road traffic is regarded as an insignificant source. In nitric oxides, Trabant has only a 7 to 10-percent exhaust rate when compared with four-cycle engines of small cars. Altogether, cars in the GDR cause not even 5 percent of the nitric oxide pollution, which is much lower anyway than in other industrial countries. That much for the Trabbi.

Mr Diepgen should take to heart the proverb: people who live in glass houses should not throw stones. He has completely ignored that the noxious fumes wafting into the capital of the GDR from West Berlin are far higher in volume than the other way around. Furthermore also that the unfavorable composition of the pollutants there has a great influence. As they are fully aware in West Berlin, they contain a higher proportion of nitric oxides and other substances than in the GDR, which in the view of many international scientists, e.g., do damage to the woods above all.

[Question] But is it not a fact that especially most recently much has been done in the GDR capital to reduce air pollution?

[Answer] This I can fully confirm. Here are some facts: Through the conversion of thermal power plants in our capital from coal and heating oil to natural gas, the shut-down of a gas plant at Dimitroffstrasse, the installation of purification and filter plants and the energy source conversion at VEB Elektrokohle Lichtenberg, and the considerable expansion of remote heat supply, reducing the stress from house fire, the sulphur dioxide discharge has in the last 10 years been reduced circa by one half. So the still remaining discharge of sulphur dioxide is much lower in the GDR capital's territory than in that of West Berlin.

Furthermore, the implementation of many measures in the GDR bezirks also of course affects the reduction of air pollution in the Berlin area. As one example among many one may at least mention here the drastic reduction of dust pollution at roughly two-thirds by the Hennigsdorf steel and rolling mill.

All that--and I could refer to still other facts--Mr Diepgen left out of account at his West Berlin election speech.

#### The GDR Fulfils Its Obligations

It certainly is unarguable that the population of the GDR capital of course, but the West Berlin citizens as well, do benefit from these measures. We also know that much remains to be done to reduce the air pollution, but that is the case all around the world. The GDR's party and stage leadership decided on further projects recently to reduce sulphur dioxide and nitric oxide pollution. I have already made clear that the GDR government is making great efforts and will continue to do so to reduce air pollution including that which crosses the border. Thereby the GDR meets its obligation which it assumed by signing the convention on far-reaching border-crossing air pollution at the Geneva Environmental Congress in 1979.

[Question] Has the GDR implemented measures also in other fields of environmental protection that also benefit the West Berlin population?

[Answer] First one must certainly mention the many measures for water protection. Based on agreements between the GDR government and the West Berlin Senat, West Berlin sewage has long been purified in the GDR.

#### Thus Far, West Berlin Has Not Conformed to New Proposals

The operations of the first stage of the Falkenberg purifying plant of 1969 and of Muenchhofe 1975, and of the second stage of the Falkenberg plant of 1984 help reduce the stress of the water pollution in West Berlin. A purification capacity for biological sewage treatment for daily 300,000 cubic meters was set up here. Operations are expected still in the course of this year of the first stage of the new Berlin North purification plant with a daily capacity of 170,000 cubic meters. West Berlin's participation in further purification stages under construction in the plants referred to, expected to become operational also still this year, will be of benefit to both sides.

Right now, the sewage treatment plants in the south of the capital, in Wassenmannsdorf and Stahnsdorf, are being reconstructed and expanded in such a way that all the sewage from the capital of Berlin can be treated mechanically, biologically and chemically. Especially in this field one can see the benefit West Berlin gets from it, with its insular location, when engaged in cooperation with the GDR based on the principles of peaceful coexistence, good neighborliness and mutual advantage.

In its most recent talks with the West Berliners, the GDR submitted proposals for dealing with other questions in water protection and reducing water pollution emanating from there, especially from the Teltow Canal and the waters around Potsdam, West Berlin has not responded to thus far.

Finally one should also recall at this point the successful implementation of the agreement on accepting West Berlin waste materials in the GDR.

#### Advances Are Possible on the Basis of International Law

[Question] That is quite an impressive account. Do your remarks suggest that the GDR government is perfectly willing to negotiate with the West Berlin Senat on environmental questions and arrive at positive results?

[Answer] As I have already said, there are enough examples that show with how much seriousness and thoroughness proposals for the development of relations on environmental protection and water management are dealt with and decided by the GDR government. Benefits are apparent for the citizens of the GDR capital and the West Berlin population.

In the interest of good neighborly relations, the GDR is ready to confer and decide on other propositions too, if they are dealt with on the basis of international law between the GDR government and the West Berlin Senat.

With his remarks in election speeches, Mr Diepgen does not serve well either the interests of West Berlin citizens or the shaping of normal relations with the environment around West Berlin, the GDR.

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GERMAN DEMOCRATIC REPUBLIC

ROLE OF AGROCHEMICAL CENTERS IN AGRICULTURAL SECTOR STRESSED

Moscow/East Berlin INTERNATIONALE ZEITSCHRIFT DER LANDWIRTSCHAFT in German  
No 6, 1984 pp 519-522

[Article by Prof Dr of Sciences R. Wabersich, director for the science area, and Prof DR of Sciences R. Zierold, rector of the College for Agriculture and the Food Industry in Bernburg: "Plant Production and Plant Protection: On the Development of the Agrochemical Centers As Cooperative Installations in the GDR"]

[Text] The agrochemical centers (ACZ) have proven themselves as cooperative installations of the LPG [agricultural producer cooperatives], VEG [state farms] and GPG [horticultural producer cooperatives] and as their reliable partners in the formation of the unified agricultural reproduction process. Their establishment from the agrochemical brigades or agrochemical departments of the VdgB [Peasant Mutual Aid Association] (BHG [Peasants' Trade Cooperative]) was completed by 1975. It was thus possible to carry out agrochemical work and transport in an effective manner with qualified manpower, up-to-date installations and the corresponding technology. In this connection, constant attention was paid to the improvement of cooperation between the ACZ's and their partner enterprises as a characteristic feature of the Marxist-Leninist agrarian policy of the SED. Today there are 261 ACZ's with an average service area of 22,500 hectares. They are responsible for an important sector in the further intensification of socialist agriculture, whereby, as called for in the directive of the 10th SED Congress, "fertilizer and plant protection agents" are to be used effectively within the scope of the agrotechnical measures.<sup>1</sup> In the further development, it is important that the LPG's, VEG's and GPG's work even more efficiently with their ACZ as cooperative installation. This demand of the 12th GDR Peasants' Congress requires that further consideration be given to an even better integration into the unified agricultural reproduction process. But effective solutions will also be necessary for the accomplishment of the work tasks, beginning with the organization of the implementation and management of this process.

On the Performance Trend

Focal points in the work of the ACZ's include undertaking the transshipment, storage and transport of mineral fertilizer as well as the intermediate storage of plant protection agents; carrying out the application of mineral fertilizer and plant protection agents largely in accordance with the latest

scientific and technical knowledge; and organizing the use of agricultural aircraft in cooperation between several ACZ's on the basis of long-term charter agreements.

To an increasing degree, the ACZ's apply stable manure and liquid manure on behalf of member enterprises, and they take on the production of organic fertilizers such as agricultural compost. This tendency to make use of reserves still in existence in the utilization of the labor capacity and of capital, above all to increase soil fertility, is unmistakable and already characteristic of many ACZ's.

The performance trend is shown in Table 1. It is clear that the ACZ's have become a stable factor in intensification. They share responsibility for an efficient use of fertilizers and plant protection agents. In cooperation with the LPG's, VEG's and GPG's, the use is to be made in such a way that the available capital is even more effectively transformed into high yields with the same or reduced capital relative to the preceding years through the utilization of new scientific findings and the best experience. This tendency was already seen in the performance for 1982. In the case of plant protection, however, the reduced need for treatment because of favorable weather conditions was also a factor.

Table 1. Development of Selected Performance of the ACZ's

| Type of Performance   | 1975 | 1980 | 1982 |
|---|------|------|------|
| Transshipment and storage, tons/100 hectares                      | 152  | 134  | 130  |
| Ca fertilizer, hectares per 100 hectares                          | 22   | 17   | 20   |
| PK fertilizer, hectares per 100 hectares                          | 71   | 61   | 64   |
| N fertilizer, hectares per 100 hectares                           | 87   | 134  | 134  |
| Including agricultural flights, hectares per 100 hectares         | 27   | 41   | 45   |
| Plant protection agents, hectares/100 hectares                    |      | 127  | 109  |
| Including agricultural flights, hectares per 100 hectares         |      | 37   | 22   |
| Stall manure applied, hectares/100 hectares                       |      | 1.7  | 1.5  |
| Liquid manure applied, hectares/100 hectares                      |      | 3.9  | 3.5  |
| Total transport, tons per hectare                                 | 11.7 | 12.9 | 10.9 |
| Transport for agriculture, forestry and food industry, in percent | 79.8 | 82.8 | 88.5 |

The territorial application of stall and liquid fertilizer differs greatly. Such work is carried out in 57 percent of the ACZ's. They are involved in 12.5 percent of the total annual application of stall fertilizer and 31.5 percent of the liquid fertilizer.

Corresponding to the state of concentration and specialization in the GDR's plant production as well as the development of a capital and energy-saving production and work organization, new questions are arising in regard to further cooperation between the LPG's and their ACZ.

Beginning with a "Central Consultation of the ACZ Party Secretaries and Managers" in Leipzig in 1980,<sup>2</sup> some tasks were oriented toward a further division of labor. Especially in the case of agricultural measures, which in great periodicity and closely tied to agrotechnical measures can often only be carried out in small crop areas--for example: nitrogen fertilizing and the plant protection measures for vegetables, fruit and special crops on intensive pastures, propagation surfaces, etc.--it is in many cases more expedient when they are performed by the corresponding LPG, VEG or GPG brigades. At the present time, 83 percent of the nitrogen fertilizing and 84 percent of plant protection measures are carried out by the ACZ's and the remainder by the LPG's VEG's and GPG's themselves. The full utilization of the advantages of the specialized execution of the work through the ACZ's requires a close cooperation of the ACZ key personnel with the fertilizer and plant protection agronomists of the LPG's and VEG's in the planning and weekly coordination of the agrochemical work. The development of the ACZ's and the division of labor with the LPG's and VEG's has up to now proceeded with some variation.

There were especially great difference between the ACZ's in the utilization of transport capacities for the LPG's and VEG's. In individual cases, almost 90 percent of the transport was for the partner enterprises. In the majority of the ACZ's, on the other hand, the transport capacity in past years was still used for other economic areas. Since 1981, there has been a decline in overall transport but a relative increase in the transport for LPG's and VEG's as well as for agriculture, forestry and the food industry as a whole.

With few exceptions, the liming and the basic fertilizing with phosphorus and potash occur entirely through the ACZ's. The agrarian flights are annually involved in the work of the ACZ's with about 4.5 million hectares of nitrogen fertilizing and plant protection work. That amounts to 32 percent of the fertilizing and 21 percent of the plant protection measures. It is characteristic of the work of the ACZ's that they apply scientific and technical progress in varying degrees in close cooperation with their LPG's and VEG's in increasing soil fertility, improving plant nourishment and in plant protection. They thereby increasingly apply their capacities for work to increase soil fertility, especially to provide humus for the land surfaces, and they help to solve the main efforts in the work of their partners in cooperation. In this way, they themselves make a growing contribution in intensifying plant production and in overcoming unjustified yield differences between the stocks and the farms as well as in increasing the effectiveness of capital. Other ACZ tasks result from the overall complex of the territorial rationalization of the transshipment and storage processes for agriculture, forestry and the foodstuffs industry.

#### On Preparation for Production

The high level of provision with mineral fertilizers that has now been achieved requires a scientifically founded application to utilize the systematically allocated fertilizer supplies for the greatest possible increase in yields. In this connection, the electronic data processing project DS 79 has proven itself. Thus fertilization recommendations can be calculated as a decision basis for the effective use of mineral and organic fertilizers for all plant production enterprises.

With precise primary data acquisition in cooperation between LPG and ACZ, important preconditions are already being established in this connection. In the LPG's, the data from the stock file are used as documentation. With proper electronic data processing work with the stock file, it will be possible in the future to extract the initial values for calculating the computerized fertilization recommendations from this punched data material.

The ACUB [Agrochemical Investigative and Consultative Service] is participating in this preparation. Since 1975, agreements are being entered into with the ACZ's to carry out the agrochemical investigations and for the ACUB to provide fertilizing recommendations. Thus the ACZ's are contractual partners of the ACUB. For the individual types of work, competence and responsibility for contract performance are determined precisely--for example: in the taking of soil and plant samples, the acquisition of characteristic data, and other areas. For the ACZ, contract performance means not only the observance of all its commitments to its contract partner ACUB but it also puts high demands on a competent cooperation with plant production enterprises.

The fulfillment of the agreements by the ACZ's does not diminish the responsibility of the LPG's. After the computers calculate the fertilizing recommendations, the decision on the actual amount of fertilizer to be applied is to be made jointly by the LPG and the ACZ. In addition, other aids such as the determination of the nitrogen level in the soil or in the plants or improvement of the grain stands are drawn upon by the farms, especially in the case of nitrogen fertilizing.

To ensure an efficient and economic application of mineral fertilizers, other reserves are being developed through the better care and use of stall manure and liquid manures. Since 1983, stock related concepts for highest yields are being developed in the LPG's for the individual varieties of useful plants and stocks, and these concepts include the ultimately established fertilizer quantities as standards to be adhered to. After this preparatory work, the proposal arises in direct cooperation of those in the LPG's or ACZ's responsible for fertilizing for the implementation of all work through the ACZ's in the form of a campaign plan. After managerial consultation, this plan in summary form is decided upon by the ACZ directorate for all LPG's served through the ACZ and is subsequently a binding work document.

In accordance with the experience of many LPG's and extensive experiments, the computerized fertilizing recommendations are a good basis for realizing highest yields.

#### Better Organizational Integration of the ACZ-Brigades Into the LPG's

The evaluation of the experiences of a number of ACZ's has shown that a close cooperation of the cooperative farmers with the ACZ mechanizers is the best guarantee for the most effective use of mineral fertilizers and plant protection agents. The basic orientation is to allow the ACZ collectives to work directly with those of the LPG's. Calculations supported by the research results of other authors<sup>4</sup> have shown that the permanent assignment of an ACZ brigade for mineral fertilizing and plant protection to an LPG covering 5,000 hectares is possible. The same thing is true for transport brigades.

From our own analyses and from the research of other authors<sup>4</sup>, one can now derive the following forms of cooperation:

--the establishment in ACZ's of permanent organizational units that are effective in the territory of one LPG;

--the temporary assignment of brigades to an LPG to carry out various types of work such as nitrogen fertilizing and plant protection, whereby the joint utilization of the equipment of each partner is possible. In addition, an occasional delegating of cooperative farmers to ACZ brigades and conversely of agrochemists to LPG brigades is also practiced;

--the temporary assignment of ACZ collectives to two or more LPG's for certain types of work. In this connection, however, a certain amount of territorial limitation is observed in the work;

--the centralized use in the entire service area, especially for specific plant protection measures.

With the close ties of the ACZ collectives to the LPG's, it should be possible

--to support the transition to the territorial organization of the LPG's and to achieve higher quality and efficiency in agrochemical work and transport;

--to improve the strong ties to the soil and responsibility for increasing soil fertility and for raising yields;

--to increase material incentives through commitment to yield goals.

In the case of the firmly assigned ACZ collectives, the brigade leader is fully responsible for the work of his collective. The managerial path is shorted substantially through participation in the daily work conferences. In the final analysis, the LPG decides what work will be carried out. That is especially important in the case of plant protection measures, for which as a rule the plant protection agronomist of the LPG's bears responsibility.

#### On the Management of the ACZ As a Cooperative Installation

In the documents of the 12th GDR Peasants' Congress, it was demanded on the basis of the decisions of the 10th SED Congress that the cooperative installations--which have considerable production capacities--work even more efficiently with the supporting enterprises. That is absolutely true for the ACZ's as well. It is the task of the meetings of authorized representatives and managing boards to consult democratically and to make decisions on the basic questions in the work and on the plan of the cooperative installations. The meeting of authorized representatives is the supreme and collective administrative organ of every ACZ. In this body, the LPG's, VEG's and GPG's exercise their rights and obligations through authorized representatives. The meeting of authorized representatives elects its chairman and the ACZ managing board for a period of 3 years.

The meeting of authorized representatives

--discusses and decides upon the ACZ plan and thus the specific scope of the work for each plant production enterprise;

--discusses and decides upon the agreement prices as well as the formation and use of capital;

--confirms the annual report;

--receives reports from the ACZ director;

--confirms or appoints the ACZ director.<sup>2</sup>

The ACZ's receive no planning instructions from the state agencies for their work tasks. Thus the partner enterprises can concentrate the utilization of capacities on fulfilling their plan requirements and on improving the production bases and the working and living conditions.

Another important aspect is the right to utilize manpower and equipment from the ACZ to meet peak work loads in primary agricultural production. Use has been made of this right; in many cases, the assemblies of authorized representatives decided on the permanent assignment of trucks to the LPG's.

Analyses in 1981 indicated the possibility and necessity of an even better use of the work capacity. A temporarily free work capacity is indicated by 66 ACZ's, of which 60 percent involved the period December through March. Unavailable work time is indicated for 46 ACZ's, 40 percent in the months August through October. The planning and management of this process must be handled even better in the cooperation of the partners.

#### On Some Economic Results

The systematic management and the collective cooperation of the partners also have a favorable economic effect. In recent years, there was a further increase in basic assets and gross production was increased, but above all there was a clear improvement in net production per worker and in the cost rate (Table 2).

Table 2. Economic Development of the ACZ's (values rounded)

| Item   | 1975             | 1980             | 1981             | 1982             |
|--|------------------|------------------|------------------|------------------|
| Number                                       | 159 <sup>1</sup> | 257              | 257              | 261              |
| Workers per ACZ                              | 75               | 102              | 101              | 96               |
| Area served, thousands of hectares           | 21               | 23               | 23               | 22               |
| Gross product per ACZ, millions of marks     | 3.0              | 3.9 <sup>2</sup> | 3.8 <sup>2</sup> | 3.5 <sup>2</sup> |
| Gross product per worker, thousands of marks | 39               | 38               | 38               | 37               |
| Basic assets per ACZ, millions of marks      | 4.0              | 7.8              | 7.9              | 8.1              |
| Basic assets per worker, thousands of marks  | 53               | 79               | 78               | 85               |
| Net product per worker, thousands of marks   | -                | 14.5             | 15.6             | 16.1             |
| Cost rate, percent                           |                  | 99               | 96               | 95               |

1. Excluding agronomic brigades with the peasants' trade cooperatives.

2. In 1979 prices.

3. The change is the result of the territorial division of large ACZ's.

The agrochemical work of the ACZ's is involved in about 45 percent of the gross product.

In comparison with 1980, there was an increase in the number of smaller and medium-sized ACZ's as a result of the division of oversized ACZ's. There is now only one ACZ serving more than 50,000 hectares.

This tendency is to be seen as positive, for experience shows that on the average the results of small and medium-sized ACZ's in the ad valorem reproduction process are more favorable than those of the large ACZ's. That is also shown by the results in a grouping of ACZ's according to their service area as well as by selected financial indices for 1982.

Table 3 indicates that as the size of the ACZ's increases, gross product and net product decline, as do basic assets and manpower per specific area.

Table 3. Selected ACZ Indices Grouped According to Size of Area Served, 1982

| Item   | Area Served, Thousands of Hectares |          |          |          |          |
|--|------------------------------------|----------|----------|----------|----------|
|  | < 10                               | 10 to 20 | 20 to 30 | 30 to 40 | >40      |
| Number of ACZ's  | 5                                  | 106      | 101      | 39       | 7        |
| Gross product, marks/hectare   | 197.2                              | 206.9    | 186.9    | 182.4    | 160.0    |
| Gross product, marks/full-employment unit  | 16,321.4                           | 16,131.7 | 16,198.0 | 16,075.3 | 15,216.4 |
| Employees, full-employment units/1,000 hectares  | 4.4                                | 4.8      | 4.0      | 4.1      | 3.9      |
| Gross value of basic assets, marks/hectare   | 499.3                              | 398.3    | 351.3    | 342.0    | 353.2    |
| Accumulation, marks/hectare  | 14.8                               | 9.3      | 8.1      | 6.8      | 6.4      |
| Diesel fuel consumption, marks/hectare   | 25.1                               | 23.4     | 19.9     | 20.3     | 17.1     |
| Motor gasoline and lubricants consumption, marks/hectare                               | 2.2                                | 2.4      | 2.0      | 2.0      | 1.8      |
| Profits from agrochemical work, marks/hectare  | 90.9                               | 76.5     | 67.8     | 69.1     | 68.0     |
| Mineral fertilizing and plant protection with agrarian aircraft, hectares/100 hectares | 16.5                               | 56.2     | 68.5     | 74.0     | 59.2     |
| Transport for plant production, tons/hectare   | 7.8                                | 6.3      | 4.8      | 5.5      | 4.6      |

Profits from agrochemical work decline with increasing area. This is attributable to reduced efficiency in plant protection and mineral fertilizing with ground equipment. An exception are the ACZ's between 30,000 and 40,000 hectares. In contrast, larger ACZ's are more efficient in the use of agrarian aircraft. Only the group for over 40,000 hectares deviates from this trend. The consumption of diesel fuel and motor gasoline (in marks per hectare) is greater in the smaller ACZ's because there is more mineral fertilizing and plant protection with ground equipment and there is more transport.

## Summary

As cooperative installations of the LPG's, VEG's and GPG's, the ACZ's are being integrated more and more firmly into the unified agricultural reproduction process. The establishment of economic relations with the participating enterprises is taking place with the goal of producing high overall utility. Therefore, the ACZ is not oriented toward achieving high profits but toward increasing the efficiency of plant production. The agreement prices between the partners are also coordinated accordingly. The assembly of authorized representatives decides upon the application of the profit of their cooperative installation. The course of the increased influence of the cooperative peasants and workers on their ZBE/ZGE [interplant facility/intercooperative facility] introduced at the 1980 ACZ Conference and confirmed by the 12th GDR Peasants' Congress led to a stabilization of the division of labor and to some influence on the financial results.

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GERMAN DEMOCRATIC REPUBLIC

GENE TRANSFER PROCESS AIDS CONVENTIONAL PLANT HYBRIDIZATION

East Berlin WOCHENPOST in German No 32, 10 Aug 84 p 3

[Interview with Prof Dr Dieter Mettin, director of the Central Institute for Genetics, GDR Academy of Sciences; date and place of interview not given]

[Text] Since antiquity people have practiced empirical plant improvement by always taking the seeds from the best plants for the next generation. This so-called mass selection is today still the basic principle of the selection processes that gradually transformed wild forms of our useful plants into the known crops such as wheat, rye or potatoes. It was later recognized that through the reciprocal pollination of various plant varieties the characteristics of the parent plants can be transferred and combined in their offspring. It was begun with a systematic combination breeding. The original material for the plant breeding is obtained through the collection and preservation of wild and cultivated forms of our useful plants. Many collection expeditions go out into the world to open up additional gene reserves. The new plant material is examined for characteristics valuable for breeding and made available for practical plant improvement. Artificial mutations are produced in some plant varieties to increase further the natural variety of forms. The genetic information of plant cells can be changed through irradiation or with the aid of chemicals.

[Question] Professor, your institute has belonged to the Academy of Sciences for 35 years. Which research result would you characterize as the most important so far?

[Answer] That is doubtless the establishment and further development of theoretical and applied mutation research. Prof Hans Stubbe laid the foundation for it. Through mutation and selection, he was able, among other things, to reconstruct the evolution of the tomato from a wild to a cultivated plant. He allowed this process of millenia to take place in quick motion in experimental fields and in the laboratory, something that astounded the experts. Mutation research, which later prevailed worldwide, also opened up new ways for plant hybridization. It is thus possible, for example, to select new varieties merely through the effects of mutation--in the breeding of ornamental

plants and fruit, for example. It is at least possible, however, to increase genetic variability. Today we are pursuing mainly technical genetic and molecular biological research, especially on grain.

#### Nitrogen Fertilizer From the Air

[Question] Will there be grain that obtains its nitrogenous fertilizer from the air?

[Answer] That is an enticing thought. The legumes--including peas and beans, for example--have the unique feature of binding the nitrogen in the air through tuberous bacteria on their roots. But it is a very complicated matter to transfer this capability to grain through technical genetic methods. Suitable bacteria would first have to be remodeled to give them a greater capability to bind nitrogen, something that they do not have naturally. Then they would have to be established in the root zone of the grain varieties and--through processes resembling symbiosis--made to release to the grain the nitrogen taken from the air. If that were successful, then there would be a chance of saving large quantities of mineral fertilizer. There are, however, well-founded doubts about whether the goal is even attainable. I would like to name just one of the reservations. We currently apply 90 and more kilograms of nitrogen per hectare. That is necessary for the healthy development and grain yield of the plants. But it is absolutely unclear whether bacteria would actually bind such quantities. If they cannot do it, then additional fertilizer would have to be applied, and it has already been proven that this reduces the activity of the industrious little organisms. There is even the possibility that they are no longer disposed to assimilate under these circumstances and will simply refuse to work. In any case, I consider very doubtful statements by capitalist concerns to the effect that by 1990 they will have manipulated grain to the point where it will be able to make full or partial use of the nitrogen in the air. Technical genetic procedures as a whole will always be just a means to support for conventional animal and plant breeding.

#### Greater Hectare Yields Through New Varieties

[Question] Then conventional plant hybridization is not passe?

[Answer] By no means. In the planned increase in the hectare yields for grain, about 50 percent of the increased output is to be achieved precisely through the conventional hybridization of new productive varieties. And our gene bank provides good preconditions contributing to this goal. It is a collection of more than 50,000 varieties and tribes of cultivated plants and their wild relatives. The grower can take permanently valuable material from this reservoir to hybridize such desired characteristics as resistance to disease and climatic influences, quality characteristics or productivity. Thus, for example, "Trumpf," the outstanding brewing barley developed in the GDR and already cultivated under license in many countries, owes its resistance against mildew and yellow rust to a native Ethiopian variety that was deposited in our gene bank and discovered through specific search programs.

The close international cooperation that we have practiced for many years in CEMA has had much to do with the progress in hybridization. Among other things,

there are many community varieties in the cases of corn, sugar beets and alfalfa that demonstrate the effectiveness of our scientific cooperation.

[Question] A permanent task of the breeders and basic researchers is to increase the protein quality of plants. What is the situation in research in gene technology?

[Answer] We attach great importance to this problem. For several years now, we have been involved in a gene transfer project. Last year we achieved a certain breakthrough in our model project, the protein-rich broad bean. We now understand better how the formation of the protein reserve is already determined in the seeds of the plant and how one could take hold of this mechanism and one day control it. These research results are also interesting for grain varieties. Several thousand varieties from our gene bank were already scrutinized to find out where there are "positive deviants," that is, varieties with a high protein content or a changed amino-acid composition, which are then given preference in further processing. These screening programs are continuing. The tedious work is worthwhile, for an increase of only 1 percent in the protein content of wheat would mean that one could have about 30,000 tons of additional protein output for fodder purposes in livestock production. One should also not fail to mention that intervention through gene technology in these biological processes is not without problems. When there is interference in the complicated metabolic structure of proteins and carbohydrates, there can be undesired changes in which no one, least of all in practice, can be interested.

#### Evolution and Revolution in Plant Hybridization

[Question] Will progress in plant hybridization in the next 35 years be characterized by evolutionary or revolutionary changes?

[Answer] Where we can control technologies largely independently of the natural environment (in tanks or in greenhouses, for example), I do indeed believe in revolutionary developments--in microorganisms manipulated by gene technology for the production of substances, for example. I am convinced that biotechnology is one of the key technologies of the future. But I assume steps of a more evolutionary nature wherever the biological system is still in close contact with the natural environment (field plants, for example). We must, to be sure, make more effective use of the environmental factors available to us--solar energy, water and nutrients, for example). In some cases, we change the plants to the extent biologically possible and economically justifiable and in others we do so genetically and physiologically where we can. In this sense, they will be plants made to order. But I am of the opinion that in the coming decades plants and animals will look no different than today.

[Question] But one cannot say that about the "pomato" developed in America...

[Answer] I had my hands on this hybrid between a potato and a tomato when I visited Kansas State University in Manhattan (Kansas) in 1983. The plant has

theoretical significance--for years it was claimed that it could not be constructed at all. But what practical use does it have? The expectations expressed in many circles to the effect that one can obtain equal quantities of potatoes and tomatoes from a single plant have not been fulfilled. In all possible combinations, the plant remained either a potato or a tomato plant with very little foreign genetic information from the second partner.

[Question] Has your institute had research results in gene technology that have already been put into practice?

[Answer] We have patented bacteria that were changed using gene technology for a very specific purpose in accordance with our plan. Involved are strains of bacilli that can be used in the beverage industry as enzyme builders. Their productivity is several times greater than what was used before. Thus for the first time in the GDR, a scientific project in gene technology led to a result effective in production.

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HUNGARY

ENTERPRISE LEADERS, FINANCE OFFICIALS DISCUSS CHANGING ENTERPRISES

Budapest MAGYAR HIRLAP in Hungarian 24 Dec 84 p 6

[Interview with Dr Janos Polonkai, economic manager, Ganz Electric Works; Janos Vad, director, United Chemical Works; Laszlo Macs, economic deputy director, Aron Gabor Machine Factory; Ferene Lalka Machine Tool Industry Works; Dr Jeno Zanyi, vice president of the Hungarian Chamber of Commerce, and Mihaly Kupa, deputy department chief of the Ministry of Finance, by Ilona Kocsi in the MAGYAR HIRLAP editorial office, date not specified]

[Text] What will the Hungarian industrial enterprises be like in 1985? It is difficult to answer this question even a few days before the New Year. What the economic management would like is well known from changes that have already been announced. This type firm--more mobile, independent, ambitious, democratic, innovative--is also "undertaken" by those concerned. But for it to be realized, theory must be turned into practice. Often by overcoming considerable obstacles.

[Question] With the continuing development of economic guidance, the management of enterprises is changing substantially. On the one hand the new rules offer simpler forms that are easier to survey, and on the other they increase the area of mobility for independent action. On the basis of the published decrees and guidelines, this is the kind of view that an outsider may form. But what is the opinion of those who are directly affected?

[Zanyi] Enterprise independence is, in fact, increasing, and the area of mobility of the economic units will develop favorably in 1985 as attested by observations sent to the Chamber of Commerce. The only question is how changes that are advantageous in themselves will be implemented in the future. To be sure, the final elements and--chiefly--the extent of regulation were announced rather late. There is a danger in a considerable number of enterprises that they will be unable to pick up the new tempo, and it is not certain that they will react successfully to the changes. In many places, the operation capability has also become problematic.

[Question] Why? Are they starting from a weaker position to begin with, or are there other causes for the management problems?

[Zanyi] Yes and no. The 1985 changes are very extensive as well as numerous. Influences from various directions--which in themselves would be proper--come together at the enterprises. In many places the problems appear first and then the results.

[Question] Is this view shared by the other enterprise experts who are present?

[Polankai] Sometimes we, too, are thrashing about. When we carry out our estimates--for example, what the changes which were earlier announced as mild actually mean--it becomes evident, let us say, with the property tax that the additional payment requirement is more than 10 million forints. It is true that we immediately think of ways to counter this with various reductions and the sale of capital means. All the general public knows is that the profit tax has declined from 45 to 35 percent. It simply looks too good. The remaining half of the sentence was left out: namely, that the basis of the two projections is entirely different, and thus the actual reduction amounts to 3.2 percent. How regulators are formed is important, but still the basic question for decades has been the same: What is the market situation, the technical level, and the prime cost of products for the enterprise in question? We, the enterprises, wage the fight for external and internal possibilities. How much the state withdraws and under what title is only an addition to this, although it is not a negligible factor. The profit incentive is not of recent origin but its effect is growing increasingly stronger. I regard as exaggerated the statement one frequently hears that enterprise independence will come into being on 1 January 1985, because up to now the ministries have put obstacles at every step in the way of independent activity by the enterprises. It would not be correct to overestimate the importance of operative interventions that undoubtedly occur in the economic results of the enterprises.

#### A Wreath Is Not Needed

[Zalka] Next year's regulatory changes justify the activities thus far of SZIM [Machine Tool Industry Works]. Both last year and this year our profitability index exceeded the machine industry average. It was under such circumstances that the goal is realized to leave more money with an enterprise of greater profitability. In order that it should be so, we cut back our capital means and sold some of our factory units. With smaller means we are producing more. We are not collecting for a wreath, a great deal still depends on the market. But I would dispute that this new regulation is now more simple and reviewable.

[Question] Could you mention specific examples?

[Zalka] In income regulation the much criticized base outlook has been eliminated. This means we have a simplified, more rational form. The risk is raised not by the progressive tax on wage development but by the total wage income tax. This is all right, but at the SZIM we have to calculate the tax individually for 6,000 workers. And finally, two figures appear in

the balance, the total wage and the total tax. The total producible income tax we learn at the last moment. Working out this tax system is an easy matter for a minicomputer, but I would have devised a simpler one. It is a bit awkward we carried forward the drawbacks and not the advantages of the old regulators. I am thinking of the replenishment obligation for the reserve fund. This will never be a reserve fund, for on 1 January of last year it was all withdrawn, and what we are replacing now is not ours... Or another strange thing: in 1979, SZIM received a circulating capital goods loan which it will pay off in 1986. An 18-percent savings tax is charged to this. If we had known this in 1979 we would not have taken the loan. It made sense to do so under the old rules. But like this!

[Vad] There never existed a regulatory system which we did not berate during its operation, and did not cry for the old after seeing the new. While we are happy for the changes, we are also lamenting, or would like something else. I take exception to the fact that the tax policy concentrates excessively on daily affairs and on the concentration of the social net income. It is not sufficiently oriented toward building the future. When we raise this we are told that expenditures are very large. But a significant part of these can already be questioned.

#### A Tax System for Building the Future

[Question] How do you mean this?

[Vad] The regulatory system has become more complicated, withdrawal rights have increased, and for this reason it cannot assure possibilities for the good enterprises to bale out. The principle of equal treatment has evolved in Hungary also in this matter. Too much money goes into keeping the weak ones alive--out of some kind of social consideration. But I could also mention the social policy where we have not succeeded in guarding the real value of pensions, and at the same time we have inherited a whole series of superfluous expenditures from the past.

[Zanyi] Can we clearly say today what is a good and what is a bad enterprise!

[Kupa] I shall not officially defend the regulatory system. I acknowledge that it is very complicated. But I do not agree that we cannot establish which economic units are the weak ones. All we need to do is decide what we should do about them. To do this, we need econo-political decisions. To a greater or lesser degree we are supporting various enterprises. If an econo-political concept behind this is lacking, then it is merely a financial-technical solution. The state budget does not centralize so much money because the state tasks are sizable. There is need for this scale of redistribution among the enterprises. And I do not know whether a tax system needs to be suited for building the future. Economic policy does, and this is served by tax policy. There will be a significant change in taxation if we transfer to a personal income tax system.

[Zanyi] It is a fact that a disadvantageously large share of the budgetary revenues derives from enterprises. As a consequence of the tax structure the net income content in enterprise costs is extremely large and as a consequence of the accumulated profit in products the competitiveness of enterprises on foreign markets is deteriorating. Therefore, I myself agree with Janos Vad that the tax system has an extremely important role in the building of the future.

Eternal Waiting in Line?

[Macs] Since we are talking about enterprises that are in a difficult economic situation, let me tell you about the problems of the Aron Gabor Machine Factory. We separated from United Incandescent on 1 January 1980 with a deficit and large credit obligations. We have cleared the deficit, but on the basis of management in 1981-1982 we were listed among the inefficient enterprises. We have managed to move out of this category by the dint of great efforts. But now we are trying to figure out how we could give big enough wage hike which would permit us to keep our workers. At present it appears that we might find a way to give a 2-percent tax-free raise. This is too small, an extremely dangerous zone, and the workers of the Machine Factory will not be satisfied with it. We are examining how we might increase it further. We are also trying to get rid of some fixed assets. The Machine Factory will be paying installments on its credit loan until 1990, and thus we have minimal investment possibilities. This will, in effect, maintain the status quo and we will lag behind in development.

[Question] How do the new rules affect exports? This is an important question in both trade relations--socialist and capitalist--because periodical lags often affect enterprises in a critical way.

[Zanyi] One of our biggest problems is that we were not able to integrate socialist export incentive into enterprise incentive.

[Polankai] Thus far wage preferences have given incentive to capitalist exports. This will come to an end in 1985. I think this will have an adverse reaction. It was a motor that no new element will replace. I would dispute those who believe that it would be possible to keep the economy in a good direction by the same automated measuring system of regulation that is fully normative for every subbranch. There is no country--and here we include the United States and Japan--where from time to time they do not apply brakes in a selective way if the national interest in the transformation of the structure requires it. In itself, this cannot be an error. It becomes an error if the supports or the withdrawals are not made for the sake of long-term econo-political goals that are adequately thought out.

[Zanyi] The use of the tax-free principle or the tax rebate has already been actually successful elsewhere. Its great advantage is that the support need not be given beforehand, only when the results are already in hand. The tax system should not neglect this good method. In exports, and

particularly in the expansion of exports, it should be aware that every enterprise measures a change in export efficiency by its own results. The accounting system, therefore, must provide a way for those enterprises also to increase their exports which are deteriorating as compared to themselves, but are still exporting more profitably than others who may be improving on their earlier results. The tax system must also be ready to deal in a differentiated way with development ideas of varying effectiveness.

[Kupa] Therefore, these categorical statements do not fully hold their ground. Taxation recognizes various preferred goals, granting rebates for this purpose, for example, export development, waste utilization, energy savings, and so forth. I will accept the fact that this is perhaps not enough. In my opinion, the fault of Hungarian taxation up to now has been the fact that it gives too wide a scope to the possibility for exemption, thus it has "diffused" the profit incentive. Thus normative regulation is applied to a very narrow range, and it has affected precisely the most flexible and the best.

[Zalka] Money arrives from socialist purchasers within 15 days, from domestic purchasers within 15 to 20 days if there is a development fund. The transaction takes much longer in capitalist trade relations. Exporter conducting important capitalist exports are condemned to eternal waiting in line, if some other way of financing does not exist.

#### Uncertainty

One of the most essential elements of the changes is the implementation of new leadership forms. What is your opinion of these? Are you concerned with the elections?

[Zalka] We are least bothered by the elections, but all the more by the long delay in working out the practice. The uncertainty is unbearable, not only for the manager but at least as much for the workers. It is an even more essential concern that we are always speaking only of the modernization of enterprise management, and we hear very little of the modernization of the institutional system. If we discover something that is good for the enterprise and for the economy, we need only acquire a seal from 7 or 8 organizations. By the time all the permissions are brought together, the momentum is broken, it has abated. Sometimes we do not even receive a reply from the authorities. Let us talk a bit about this. A million authorities bomb the enterprise. One may complete his tasks to the extent that he can prevail over authorities.

[Vad] In regard to the new guidance form, as soon as we receive the recommendation from the ministry, we are given an opinion within a single month at a production conference. We do not wait until 30 April. But 28 February we deposit the annual balance. By 30 April the enterprise council will be in place. There is no reason to delay. It is another matter that the conflict between the collective and the thinking of the higher level leadership—which up to now has been resolved by directors—will develop in the future as a conflict between the enterprise council and the government organs. This can cause problems. The director will find himself in a more comfortable position.

[Polonkai] It will be more difficult to convince the collective of the economic goals. This is not something that happens from one year to the next. But there will be benefits: the workers will be better initiated and constrained to engage in the problems. At the beginning the decisions may slow down, later on there will be no problems with this.

[Vad] There are today many questions whirling around in the heads of people. But if there are no older conflicts or basic management difficulties, the collectives generally will elect the present leaders. Where personal conflicts have existed, these will now be on the agenda.

[Question] Returning to the question of independence, it will strengthen the position of the enterprises if after this the supervisory organ refers it to the performance of unprofitable activity, and then compensation can be demanded...

[Vad] Also up to now the ministry could refer the enterprises to the performance of unprofitable activity for which compensation was due on the basis of the enterprise law. The enterprise which I have led has not received such instructions since 1968. At the same time, various state administrative and social organs have come up with enterprise "expectations," the fulfillment of which has affected enterprise leader as a matter of existence. I think that after the creation of the enterprise council this dependence will be reduced significantly.

[Polankai] It may be that we were in a fortunate situation up to now, but our managing director always convinced the ministry of rational matters. We had a real conflict with the subjects present in forints, that is, with the functional ministries. Up to now the subbranch ministry has not taken away any money, and it has given none.

[Zalka] I do not attribute much significance to this either for the time being. Perhaps later...Independence does not depend only on this. Monopolies exist not only in industry but also in domestic and foreign trade or in the credit area. Organization development is not worth much if it affects only one area.

#### Proprietary Attitudes

[Question] We have also listed more problems and factors adversely affecting management. But all in all, how do you feel about the direction in which the industrial enterprises will develop in 1985 and in the years following?

[Polankai] Market influences--although these may often be created or simulated--will have a more direct and stronger effect on the enterprises as a whole. In the life of the larger enterprises much will depend on who "let loose" the influences exercised on enterprises, their factories and factory units. But here we must be careful because certainly that enterprise will fail which only does enough to copy the regulatory system valid for the enterprise and passing these only "one for one" to all its factories.

[Zanyi] On 1 January the enterprises will find themselves in a new situation. According to the signs there will be an increase in the number of those which are struggling with operational difficulties. A part of the tax, to be sure, must be paid beforehand, while the results come about only later. I do not know who will make it across the "gap" and how.

[Kupa] The movement of capital has already begun, and this--in my opinion--will continue to accelerate. Cost sensitivity will be greater--those present here have told how they are trying to increase their incomes. That is, enterprises of the future will be much more mobile than the present ones...

[Zalka] In any event, positive developments can be expected in enterprise management. But it appears to me--what I say may be exaggerated--that this whole matter of regulation is, in fact, still only the internal affair of the economic managers. But it may affect the whole society. If the enterprise councils come in to being next year, and everyone takes the fact seriously, this process will start a new kind of proprietary attitude not only within the enterprise but also toward the outside. And sooner or later this will have to be taken into account in the institutional system of society.

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HUNGARY

## CREDIT POLICY FOR 1985 DISCUSSED

Budapest FIGYELO in Hungarian No 51-52, 20 Dec 84 p 4

Article by Dr Laszlo Body: "Credit Policy '85"

Text The main goal of the credit policy--in harmony with the national economic plan--is in 1985 also to improve the foreign trade balance, to solidify it. We must continue to decrease the amount of debt which exists in convertible currencies, and in ruble accounting also we must decrease the amount of short-term debt. These requirements do not make it possible to ease the strict requirements of purchasing power regulation or to increase investments.

The strict selective character of credit will not change, so that primarily those may expect to be given bank loans who implement developments which serve the foreign trade balance goals--export development, import savings, and support industries which create the foundations for these--material and energy saving investments, and also investments which serve to better supply the population.

### Monetary Tools Preferred

Modification of the measures introduced within the framework of further developing the economic regulatory system, the economic regulators require consideration of more than the usual number of uncertainty factors. And the transformation of the banking system in use, the emphasis placed on the use of monetary tools create new circumstances in many respects in the practice of credit policy (cf. interview with Dr Matyas Timar, president of MNB Hungarian National Bank, published with the title "The Changing Banking System," FIGYELO No 46, 1984).

The credit policy guidelines are binding on the MNB--in its note banking capacity. Obeying them must be implemented in its own loan departments and in the operation of the other monetary institutions. Because of this the president of the note bank is given broader powers and authority than before in shaping the note bank's management methods and the concrete conditions of making loans. The regulatory tools the note bank may use as of 1985--interest rate system, mandatory reserves, reserve rates, refinancing system--can be considered as the first step, and the further development and correction of

these can be expected already this year. (The note bank's tools and the possibilities of using the standardized measures are in the beginning strongly limited by the existing obligations, that is, the earlier loan decisions for 1985, and by the very different starting positions of the MNB's loan departments, the new banks and money institutions and the narrow framework of the plan which derives from the balance requirements.)

In the interest of implementing the credit policy the MNB specifies in a circular the concrete requirements and conditions related to making loans--which apply to its own lending organization as well as to the various banks and financial institutions. The MNB's president informs the affected parties by the so-called note bank letter about the concrete specifications of the note bank concerning the various financial institutions and about the concrete tools and the extent of the note bank's control. Within the MNB the heads of the loan departments provide concrete guidance to the central as well as the country machinery for the lending work and specify their own business policies within the framework of the note bank's regulations.

#### Regulation and the Loan Conditions

Some changes have taken place in the credit policy guidelines in connection with the modification of the economic management system and the regulators, as well as with the modernization of the credit system.

The credit conditions of export expanding developments are amended with a regulation according to which those economic operating organizations which are profitably doing large volume exports and have already achieved results on the export markets may also be given preferential loans in case the export incomes will not increase through the development; this way they can solidify the market results they have already achieved.

In harmony with eliminating the centralization of amortization and in the interest of increasing the flexibility of lending, the time spans for investment loans will be made shorter. As the first step--while maintaining the loan expiration times in effect now--a change will be introduced according to which the loan expiration dates must be calculated from the time the loan is first made rather than from the investment completion time. Considering the running period of the investments which also involve construction, this may shorten the length by 2-3 years. The repayment preferences will remain in effect. During the year we will further examine to what extent it is possible to further shorten the loan periods. Cutting the excessively long loan periods is justified since the 12-15 year time span is unwise for various business policy and market reasons. Furthermore, the shorter expiration periods may increase the security of the loans, and faster recovery later creates opportunities for granting more new loans and increasing the role of credit in invigorating the economic activity. The shorter loan periods make more profitable investing possible, forcing the enterprises to maximally involve their own resources in financing the developments. Shortening the loan periods and early repayments of the loans before the expiration times according to the contracts are justifiably encouraged by banking methods (instead of the earlier methods). Thus the enterprise which repays what it owes before the due date may later enjoy reduced interest rates.

The profitability of the development continues as an indispensable condition of financing. In the future the credit policy guidelines will not contain the minimum profitability requirements specified in the past. But examining the development profitability is a fundamental interest of every financial institution which gives loans. Care must be taken that the enterprises are not forced to accept unrealistic profitability conditions in obtaining the loans.

### New Solutions

One new element of the credit policy practice is that based on authorization from the Council of Ministers the bank also publishes new loan rating indices which can be used in judging the loan. These indices--used also by the World Bank in judging loans--which are formed by the amount of indebtedness of the economic operating organizations, and the way their loan repaying ability has developed--can in 1985 be used primarily still for orientation and for the purpose of gaining experience, that is, they do not represent standards that are rigidly applied. But using them will make the judging of loans more reliable and more thorough, therefore by all means it represents progress in lending.

New formats are being introduced in the financing of revolving assets. It will be possible to offer revolving accounts, which is generally advantageous for enterprises which can easily get loans, because it improves their liquidity, and it is advantageous also because it results in saving interest, that is, always only as much credit is being used as is necessary. The sales revenue taken in is used to immediately repay the credit.

Expanding the opportunities for credit relations of the enterprises among themselves (commercial credit, making advance deposits on purchases), refinancing these loans by banks, introduction of promissory notes (bills of exchange), further utilization of these (trading) as instruments of payment, the purchasing of these by banks (discounting) or their repurchase by the note bank opens up new vistas not only in the business affairs of enterprises but also in the indirect management of credit done through the note bank's means.

The new construction (that is, that commercial loan can be given from any available money source or from bank refinancing) makes it possible and necessary for the enterprises to pay more attention in the contracts which organize their trade relationships, to the method and time of payment and make it part of the business considerations. It also must be considered that the bank will provide a refinancing loan or buy a promissory note if it knows the obligated party to be a generally good debtor worthy of credit. The strict rules of exchange law apply to the promissory notes which may promote improvement of discipline in making payments and in the case of nonpayment make quick satisfaction of the demands possible. We also wish to encourage the use of promissory notes by the arrangement that in case the bank buys it the enterprise obtains an interest profit of about 0.5 percent compared with taking out a refinancing loan for the commercial credit offered by it. The MNB wants to use the tools mentioned here to influence credit life with note bank regulations, refinancing and discounting policies which conform to the given situation, to control the

issuance of credit in such a way that the money supply remains within the planned limits and the liquidity of enterprises does not expand unjustifiably.

The system of revolving asset financing will not change. However, in the interest of making financing more flexible it will be possible to--in case the interest fund is insufficient--for the creditworthy enterprise to also obtain a bank loan in excess of 50 percent of the revolving asset increment. This may be done when otherwise availability of funds would be threatened.

The interest system will include the refinancing, discounting and repurchase interest rates, but at the same time central determination of the interest rates will be maintained at the beginning. The first steps to be taken to further develop the banking system, the very different starting situations of banks, financial institutions and monetary funds which make loans would not have made rational interest rate competition possible. But it can even be seen today that this method calls for changes in harmony with the steps taken to further develop the banking system. Therefore in the first half of 1985 we will examine where and to what extent central determination of the various interest rates can be relaxed and to what extent the movement of deposit and loan interest rates can be made free--within the limits set by the note bank's interest rates--for the various lending organizations.

Interest rate preference can be used in the form of decreasing the tax base and tax rebates in the manner developed since 1984. This is tied to the selected development goals.

The MNB-circular dealing with implementation of the credit policy guidelines in addition to the enterprise loan and deposit interest rates also includes the note bank's interest rates which the MNB applies in the cases of loan and deposit operations related to the other financial institutions.

#### Abundance Problem Is No Threat

The banking system's loan making possibilities do not exceed those of 1984, and the amount of outstanding loans will decrease as the balance of the loan repayments that are due and the investment loans which may be issued. It also contributes to this that in the interest of tying down the excess purchasing power generated because of the elimination of centralized amortization the enterprises are required to make extraordinary loan payments of about 2-2.5 billion forints. This must be done so that the investment purchasing power thus generated would not cause tensions on the investment market and result in extra accumulation over the plan.

The credit demand of the lending obligations according to the currently existing contracts and of the developments known so far which absolutely must be satisfied will for the most part tie up the lending opportunities. This means that the banking organizations will have little operating room, and there will be little opportunity to make new loans in 1985.

Investments financed by the World Bank which last year started out very slowly, are expected to accelerate. The integrated livestock raising and food industry

development program now under preparation, as well as the specialty chemicals program are expected to be brought under one roof also during the year. Development of the transportation improvement program is also under way. It is anticipated that in 1985 these will require only minimal loans.

In this tight credit situation we cannot for the time being expect to use up the reserves identified in the national economic plan. Decision about using this for credit purposes can be made taking the experience of the first half of the year into consideration and can be expected only in case of favorable economic processes. It is also to be assumed that as a consequence of changes in the regulatory system there will be an increase in the number of enterprises lacking funds and in the amount of the deficit. This--if it is prolonged--will restrict the lending opportunities which are limited to begin with.

Beyond the extra loan repayments connected with the elimination of centralized amortization the bank will not initiate early loan repayments. It seems, however, that at the present high loan interest rates even without any tools to force it, the opportunity exists for early loan repayments within the framework of the business relationships of the bank and the enterprises. That is, it is also in the interest of the enterprises to rid themselves of their burdensome loans, especially if they have no opportunities to make new, profitable investments. Such repayments even in 1984 expanded the bank's lending opportunities.

The lending opportunity may change--though this may be in either direction--if the inventory of the required deposits of the economic operating organizations increases or decreases. Thus the lending apparatus has an interest in developing lasting deposits and keeping the existing deposit accounts. It must also be expected that the money institutions outside the MNB and the specialized money institutions will also be interested in attracting enterprise development deposits either by issuing bonds or in other ways in order to expand their circle of business. Preparations must be made for the situation thus developing because this may be the first element of competition between the financial institutions.

Practice according to the credit policy's principles will have to be conducted in 1985 under circumstances where the changes taking place in the economic regulatory system, development of the banking system and the increased use of monetary tools also represent an uncertainty factor which today cannot yet be evaluated. Therefore on the one hand there is a need for openness and flexibility in lending in the interest of resolving the problems of the transition period, and on the other hand continuous and close cooperation must be developed between the organization which performs the note bank's guidance duties, the loan departments and the financial institutions outside the MNB.

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POLAND

KRASINSKI COMMENTS ON PRICES, CRISIS, REFORM

PM311422 Warsaw VETO in Polish 9 Dec 84 pp 6-7

[Part two of an interview with Minister Zdzislaw Krasinski, head of the Office for Price Affairs, by VETO Consumers Circle representatives Zygmunt Poltorak, Teresa Ratajczak, and Tadeusz Wolski; date, place not given; capitalized passages printed in boldface in original]

[Text] [VETO] What is the correct interpretation of the term **BALANCE** BETWEEN MONEY SUPPLY AND MARKET SUPPLIES? In our opinion it is being used a little too freely and interpreted in a variety of ways, depending on convenience. It is understood differently by producers and differently again by consumers, especially by poor pensioners.

[Krasinski] I understand that you are not asking me for a definition of the term since you know that already, so I shall try to demonstrate some symptoms of market equilibrium and some data that may be indicative of these symptoms. General market equilibrium is mainly of interest to those at the central level, since it describes macroeconomic phenomena. The consumer is more concerned with conditions of partial equilibrium, that is, the ability to buy any kind of commodity at as reasonable a price as possible. Symptoms of general equilibrium are expressed by two indicators: the goods supplies indicator and the money reserves of the population. These two values are, as it were, juxtaposed. They tell us how much merchandise we ought to keep in wholesale and how much in retail stores so that they can be set against the money reserves of the population.

The consumer may be more interested in the so-called **TURNOVER INDEX**, which tells us how many days the merchandise accumulated both in wholesale and retail would last if all deliveries were suddenly stopped but the population went on doing their everyday shopping. In the years 1960-1978, this index for Poland amounted to approximately 90 days. It meant that we would have been able to go on buying goods at the usual rate for 3 months if all deliveries were suddenly stopped. In the years 1978-1979, the turnover index totaled only 78 days, and in December 1981, 28 days.

[VETO] In other words, there was enough merchandise for nearly 1 month's sales. And yet, as we recall, there were no goods in the stores...

[Krasinski] That was because the goods were to be found neither in the stores nor in wholesale: They were in freightcars and trucks. The merchandise was on the move! It was not there for inspection, for people to ponder over whether it was worth buying--it was there to be bought out at once. At present, the turnover index, calculated over the past 8 months, totals 56 days.

[VETO] When are we going to accumulate enough reserves of goods to last 90 days? We understand that those "90-day reserves" are an approximate illustration of a state of general market equilibrium.

[Krasinski] If the whole of this year's 5-PERCENT PRODUCTION INCREASE had been stocked up by commerce instead of going into consumers' hands; in other words, if we had not increased consumption by 5 percent--and all evidence shows that that is what happened--the turnover index would have gone up by another 20 days. It would thus be 76 instead of 56 days. We are thus faced with a dilemma. Was it correct policy to have allowed the increase in consumption to swallow the total increase in market production? Perhaps we should decide in favor of option 1 of the Central Annual Plan, which says that goods should be stocked up by commerce and the consumption of the increased production output checked. Life will undoubtedly show that a proportion of the increase in production output (and we are estimating this at 4 percent) will find its way to store shelves, and another part of it will contribute to increasing consumption. This may happen in contrast to the premises of the plan, because different things are said at the stage when the Central Annual Plan is formulated and still different things result from the realization of the plan. The public accepts increased reserves and zero-increased real incomes for as long as it does not have to suffer the consequences of its own decisions. That is why I think that some 2 percent of the increase in production output will, after all, find its way to the consumer, and the remaining 2 percent will be stocked up by commerce.

The trick, in psychological terms, is that the customer may not even notice the 2-percent consumption increase. However, when the same 2 percent is channeled to warehouses, reserves will increase by 20 percent, which could not go unnoticed in commerce.

Phoney Money

[VETO] Can you give us a realistic date for reaching a state of market equilibrium?

[Krasinski] That is difficult to judge. Everything depends on what the consumer will prefer: better-stocked shelves and a wider choice of goods or an immediate increase in consumption now. However, if we manage to sustain the rate of production increase at the level this year that it reached last year, which is realistically planned for 1985, then--provided we abandon the idea of increasing consumption--we stand a chance of attaining market equilibrium during the next 2 to 3 years. With parallel increases in current consumption rates and real incomes, that moment may be delayed.

[VETO] We believe that consumers will choose increased consumption. What do they care about the level of reserves in commerce?

[Krasinski] However, the reserves mean having a range of goods to choose from. In other countries, shoppers go into department stores and spend 2 hours at a time there. They have enough to choose from and they find pleasure in the choosing.

[VETO] We must not forget that they also have plenty of money...

[Krasinski] Of course they do or they would not be entering the stores. But they still have little enough to have to choose between different goods, to look for a cheaper brand, to wait, to postpone the purchase-- sometimes even to leave the store without having bought anything. It used to be like that here, too, at one time. Let us think back to the delicatessen stores of the 1960's: They were full of mouth-watering delicacies from all over the world, yet Poland was a poor country then. Those were wonderful times. A man could step into a store and, even if he could not afford to buy things, he knew that if he did not get them that day, he would still be able to get them for Christmas, or for his birthday. There was certainly that, by saving the money or working hard to earn it, he would be able to afford it.

A market that is not in equilibrium is characterized by irrational behavior. My deputy, Minister Wojciech Pruss, told me the following story. His apartment block also houses a hardware store. At one time he had noticed that for some 3 weeks running the store's shelves and window displays were packed full of kettles. One day there was a delivery of kitchen pots to the store. Local residents immediately formed a line. The first person, or perhaps the second one, bought a kettle as well as a pot. After that, each subsequent customer did the same. The kettles were sold out. THE PLIGHT OF A MARKET WHICH IS NOT IN EQUILIBRIUM CONSISTS IN THE FACT THAT, ONCE THE EQUILIBRIUM IS LOST, IT IS VERY DIFFICULT TO RESTORE, precisely because of the kind of behavior that Zygmunt Szeliga [journalist, commentator on economic issues] terms the "Polish Standard." It is an uncontrollable urge to buy irrespective of need.

[VETO] Merchandise is not displayed in stores for the sake of display. It is there for people to buy. And the chance of making a purchase depends on how much money we have.

[Krasinski] The population's purchasing power must be balanced so as to allow for the whole production output to be bought out and, at the same time, to prevent a depletion of reserves of goods. Let us say that THE VALUE OF RESERVES IN STOCK SUFFICIENT FOR 90 DAYS' BUYING OUGHT TO TOTAL Z1 TRILLION. THUS THE CUSTOMERS COULD HAVE Z2 TRILLION IN THE FORM OF SAVINGS DEPOSITED WITH THE PKO [bank] OR IN THEIR POCKETS. THEREFORE, THE RATIO OF GOODS IN STOCK TO THE POPULATION'S MONEY RESERVES OUGHT TO BE 1:2. THAT IS WHAT HAPPENS WHEN THE MARKET IS IN EQUILIBRIUM. TODAY IN POLAND THAT RATIO IS 1:3.

An auxiliary indicator which shows whether the market is in equilibrium is THE RATIO BETWEEN THE RATE OF INCREASE IN MONEY RESERVES AND THE INCREASE IN INCOMES. It is usually thought that the situation is good if the population's savings in the given year are 6 percent higher than in the previous year. In 1981, that indicator was 14 percent; in 1982, 12 percent; in 1983, about 8 percent; and for the first 10 months of this year, 5.7 percent. From the macroeconomic viewpoint, this state of affairs fills us with optimism. However, the individual customer ought to be happy, too, as he is not handed phoney money, which he would be compelled to save because there is nothing to buy.

[VETO] But perhaps it is not that we pay more and more for goods that are getting more and more expensive and that is why we do not have sufficient money to save?

[Krasinski] We pay more, it is true, but we also buy more. Consumption has increased by 5 percent. This year we consumed 20 percent more fish, over 8 percent more eggs, 10 percent more matured cheese, and 15 percent more cream cheese than last year.

#### The Markup Dilemma

[VETO] Professor, do you take any note of pricing blunders? Last year, just as the year before, carp prices remained unchanged even though the carp on sale was spoiled. Another pricing blunder was made with honey, imported honey at that.

[Krasinski] I hope that such phenomena will occur less and less often. Let us remember that 2 years ago there was a general allergy to any changes, especially those of prices. This last year was, in fact, the first in which attempts were made to reduce prices. It was thought at one time that once the price for something was set, it ought to be kept unchanged for as long as possible. PRICES ARE BY NO MEANS SACROSANCT [passage printed in capitalized boldface in original] When they need to be lowered we must react swiftly, and when the appropriate moment comes, they must be increased. That was what we did with the winter price of milk, as the output of milk during that season is 50 percent less than during the summer.

As for the honey, my view is different. In my opinion, beekeepers are one of the most sensible occupational groups, the reason being that they constantly watch those most intelligent and illustrious insects. They did not want to lower the price of honey because they knew what was spreading throughout the world: an apian disease of massive proportions (avarroosis). It has already affected three-fourths of the Polish bee population. In other countries it has spread to all hives. It was brought here by Indian bees, which can make more honey because their tongues are longer and thus they can reach deeper into the flowers of a variety of clover from which our native bees could not obtain the nectar. So queen bees were brought in from India, and with them, carried on their backs, a minute parasitic mite invisible to the naked eye. We must expect the

price of honey to go up, since a large number of colonies will have to be destroyed or subjected to very expensive treatment to get the mites off the bees' backs. That was why the Central Horticultural Agency decided to reduce the price of honey only temporarily, owing to the buildup of stocks in warehouses.

[VETO] Farmers furnish more and more produce, but there is no evidence of this in the way food is delivered to the stores. We get reports that in many places hard cheese is in short supply, or that whole weeks go by before any cream cheese is delivered to the stores.

[Krasinski] This is because there is no incentive to expand sales in the foodstuffs sector of commerce. Commercial markup is that price which is meant to cover the cost and provide a profit on top of that. Currently an average markup amounts to a little over 8 percent, that is, half of that in our neighboring socialist countries and one-third of that in the developed capitalist countries.

[VETO] Four years ago we also had low-percentage markups and very low prices. Food prices have gone up very considerably, and thus commerce is making more money in terms of the sums involved.

[Krasinski] At the moment, markup does no more than cover costs. If a farmer who plans to grow rape realizes that he will not make any more money on it than if he were to grow potatoes, he would obviously be less than keen on the rape. If commerce knows that is is only going to be able to cover its costs--and then only just--then there is no incentive for it to buy goods that spoil quickly and on which it can lose money. Our commerce does not handle cream cheese because it does not have any "slack" to cover the risk, and the possible loss. The foodstuffs sector of commerce makes a profit of 0.2 percent, while industry makes from 7 to 14 percent. How can the former develop?

[VETO] I am afraid we disagree. There was a time when the price of jam was Z8 [a jar]. Today it is Z80, and the markup percentage has been maintained, so today commerce makes 10 times more money on jams alone. Is there anyone whose pay has grown tenfold in that time? Costs of materials have not increased tenfold either.

[Krasinski] If that costly jam is on sale for three-fourths of a year and in storage for, say, 1 year, then the bank credit charges will total 16 percent, with an 8-percent markup. The loss is evident.

[VETO] If commerce keeps that jam for 1 year, then it has only itself to blame. The markup system ought to encourage sound economic management. As we ascertained some time ago, being given a lot of money encourages extravagance rather than prudent management.

[Krasinski] I believe in the wisdom of nations and I could not say that the Hungarians or Czechs are stupid. Why have they set their markup levels twice as high as we have? Are they in love with commerce? No!

They simply want it to function well. And I do not believe that we can create an El Dorado with a 0.2-percent profit.

[VETO] We are beginning to resort to emotional arguments.

[Krasinski] I daresay we are, because VETO represents consumers who oppose higher markups, which, as we know, is an element of price. At the same time, consumers believe that they have the right to grumble about commerce. However, you can either have low markups and not a word allowed against commerce, or a decent level of markup and a license for the customers to point out every mistake made by the foodstuffs sector of commerce--since the durables sector already enjoys sufficiently high markups.

[VETO] Yes, and look at the results. All we have is higher prices. There are high markups in the prices of furniture, but the quality of furniture is steadily deteriorating, as are the selection and range. We believe that AUTOMATIC MARKUP INCREASES WILL ACHIEVE NOTHING. They will only result in draining money from customers' pockets, after which experts in justifications will present us with a myriad of reasons why things are so bad. We simply have no guarantees (and these, after all, ought to be offered by commerce!) that something will change for the better. In the fruit-and-vegetable sector of commerce handled by horticultural cooperatives, the markup situation has not been bad at all, and yet their fruit and vegetables are always of poor quality. The catering industry adds a high markup and then what does it do? It spends millions of zlotys on setting up quasi-ethnic restaurants, and immediately afterwards it switches to a different concept and changes the restaurants into fast-food establishments. How can the consumer benefit from that?

Reform or Reorganization?

[Krasinski] It is a consequence of the fact that commerce has not undergone a reform...

[VETO] We maintain that automatic wage increases do not bring any results.

[Krasinski] I agree that there should be adequate incentives for work in every store. However, the commerce sector does not provide them, except at a dozen or so stores, including "Tokaj," "Sezam," or the "Central" in Lodz.

[VETO] And whose fault is that, Minister?

[Krasinski] The commerce sector's, naturally. A conference on this subject has been scheduled in Jachranka. We will confer on how to introduce the reform into the commerce sector.

[VETO] So far we have been hearing gossip to the effect that the commerce sector is not considering an introduction of rational incentive systems but, instead, another...reorganization. We are afraid that, having secured

higher markups, it will immediately proceed to create another 'Ponal' [state enterprise set up 1984 to monopolize alcohol sales, recently dissolved], or expand its administrative system.

[Krasinski] I have heard that the commerce sector is beginning to split up. A number of smaller enterprises will be created from that gigantic monster.

[VETO] It is more likely that it will be either divided or merged again-- this has been going on for the past 40 years. Saleswomen claim that they get sick with worry whenever there is a delivery to the store, but really they just don't feel like doing their job! A person running a franchise-operated store treats his customers differently, because he is interested in selling his merchandise.

[Krasinski] Why, after reading--in 1977--about our proposals for the introduction of individually-operated, franchise-based commercial outlets [ajencje], did the Hungarians introduce that system for themselves just 3 months later, and why are they continuing to successfully expand it? FIFTY PERCENT OF THE HUNGARIAN COMMERCE SECTOR IS IN THE HANDS OF FRANCHISE HOLDERS. We introduced that system, developed it further, and then decided that we did not like it any more.

[VETO] Do we, then, all agree in our praise for the Hungarian experience in that field? We are also in favor in franchise-based commercial outlets!

[Krasinski] It is the results that are the most important here. We need to apply and improve all those system solutions that yield desirable results. I would give my approval to those of our enterprises that gained independence back in the 1970's.

[VETO] You mean the so-called large commercial outlets?

[Krasinski] Yes. The authors of the reform drew on those outlets' experience. Look at what happens at Katowice's "Supersam" store. They change the price of their cakes four times a day there. When the cakes are freshly made and still hot from the oven, the price is at its highest. After one hour it is reduced; after 2 hours, it goes down even more; by the evening it is only 50 percent of the morning price. It is similar with other goods sold in that store. I am not saying that each store ought to change its prices four times a day, but those that do it only once a year would do well if they switched to changing their prices every month. There are few stores with flexible working policies. I suspect that cooperatives are reluctant to give their approval for such wonderful independence.

[VETO] We were promised that this system would be introduced everywhere.

[Krasinski] And so it ought to be, for there is now every legislative provision to favor it.

[VETO] When you were introducing the price reform, you assured consumers that negotiated prices would not grow in an uncontrolled manner because the commerce sector would do our bargaining for us. We do not see this happening.

[Krasinski] The commerce sector ought to bargain for lower prices for its own benefit, since in theory it could regard the profit it makes on the producers as its own markup. The "Central" in Lodz does that, as do several other enterprises. They secure the lowest prices they can get because they want to make their profits, and if they do not sell the goods, they can still afford to reduce them--even by as much as 50 percent--without having to worry about incurring losses. I wonder if you have noticed that bargaining as an element of economic management has gone out of use altogether. People no longer haggle over prices in street markets: they pay what the sellers ask. And what happens when you get a plumber to do a job in your home? First you ply him with vodka, then--if he demands it--with sandwiches, instead of asking him, the moment he steps in, how much he would take to do the job.

[VETO] People are afraid that the plumber will slam the door in their faces and go to do another job next door.

[Krasinski] If every customer acted in a proper manner and proceeded to bargain over the price of the service, the plumber would be sure not to slam the door: He would know that the next customer would also want to know how much he charges for the job.

#### The Leszno Experiment

[VETO] Some time ago, the minister of domestic trade and services gave us a promise that cereal rationing would be abolished as of 1 January 1984. So far the list of rationed goods has not decreased; on the contrary, butter has been added to it. If we are to abandon rationing gradually during 1985, will this be linked with new price increases?

[Krasinski] If we stopped rationing pearl barley, its price would go up by Z14 per 1 kg. Only at that level is the price of pearl barley not competitive in relation to the price of animal feed in the most expensive area of the country. In this case, Bielsko-Biala Province. For in no part of the country can the price of animal feed be higher than that of cereal. That is why a departure from rationing must be linked with price increases, the latter containing a safety valve guaranteeing that no one will buy up the goods in order to use them for other purposes.

[VETO] What about butter--are we going to have to buy it on ration cards for much longer?

[Krasinski] In this case, the reasoning is more complex. The best thing would be to introduce spring and winter prices of butter. If we do not do that, there is no chance that we can abandon rationing with the country's current balance of payments being what it is. In the past, we used to

export the surplus butter produced during summer, and in winter we bought half the quantity of our summer exports, for that was how much it cost to keep butter in cold storage in the West. You could get one pound of butter in exchange for two. Of course it was a bad bargain, but that was at a time when we were given high credits and could afford such extravagance. Now we can no longer afford it. Consequently, the project of abandoning the rationing system envisages a situation in which we would eat about 10 percent less butter in winter and 10 percent more in summer.

[VETO] Minister, soon we will be celebrating the 10th anniversary of sugar rationing. We believe that the illicit production of liquor is not so much the reason for sugar rationing as a mere excuse for it.

[Krasinski] It is true that illicit liquor production is not an argument here. It is estimated that moonshiners would [if they could] be buying some 70,000 metric tons of sugar, that is, about 4 percent of the sugar supplied to the market. Our food industry uses about 150,000 metric tons too much sugar. It does that because sugar is inexpensive--it is, for example, cheaper than potato syrup, which used to be the principal material for making candy. You could make very good candy using potatoes, but now it is made with sugar. Brewers used to make their beer with brewers' malt, but now they, too, use sugar--and, of course, hops. Fruit jams are packed tight with sugar, too, since it is cheaper--by volume--than strawberries, raspberries, black cherries, or black currants. Three years ago, our food industry used a whole 150,000 metric tons less sugar than today. Now sugar is sold in the guise of strawberry or raspberry jam.

[VETO] One often hears that there is no hope of meat rationing being abolished. Are we to accept that meat ration cards can never be dispensed with?

[Krasinski] My opinion, and I am speaking as a professor first and as minister of the Prices Office second, is that it would be a tragedy if we were to believe that the meat ration card would be with us forever. I favor one particular idea for solving the issue, but I suspect that it has very few followers. Each year we raise 12 million pigs, 6 million of which find their way to contract purchase centers. My question is: "What happens to the other 6 million? Could we not purchase more for the state without applying the instrument of price?"

[VETO] It is not difficult to guess what happens. People resort to buying privately from farmers, or from door-to-door vendors who come to their homes and offices.

[Krasinski] I never give my opinion on how much meat we need to eat to keep in good health and where overeating begins. It is different for different people. There are those who feel the need to taste the flavor of meat from an early age, and those who can do without it.

I keep thinking about how we could bring an extra 3 million pigs to contract purchase centers. We know that farmers hold some meat back for

their own consumption, but I am sure they keep far too much of it. For example, if we look at past analyses of family budgets, we will see that meat consumption by farmers has always amounted to 80 percent of meat consumption in town dwellers' families. At present, it fluctuates between 150 and 200 percent, which means that farmers kill their pigs and then eat far more pork than they would probably normally choose to eat. They would probably be quite happy to sell some of the meat were it not for the fact that they do not quite know what to do with it once their pigs are jointed.

I would like to carry out a certain experiment, although my critics maintain that a similar experiment was already tried, unsuccessfully, in Chelm Voivodship. Farmers in the Chelm region were given the opportunity to buy meat products in the stores, but in spite of that, they still did not sell any more livestock to the state. Some people say that the experiment did not answer any questions; others claim that it failed. I maintain that we cannot draw any conclusions from an experiment carried out in a voivodship that does not produce the commodity. I am trying to foster the idea of carrying out an experiment of this kind in the Leszno region. They have a huge production surplus there and no major urban complexes nearby.

[VETO] What would the Leszno experiment involve?

[Krasinski] I would suggest that we leave a certain number of slaughtered hogs for local butchers to have them processed on the spot for the benefit of local communities, and thus sold to farmers at prices just slightly higher, but still acceptable to them.

[VETO] Black-market prices of meat and meat products are hardly different from official prices.

[Krasinski] Let us say that a butcher would add 10 percent more markup and earmark it for the cooperative's development. Leszno farmers, who are wealthy and to whom the job of jointing the hogs is a waste of time, would pay the higher price. We could watch it and see what would happen in a voivodship of that type. Perhaps more pigs would be sold to the state. It would mean a chance of purchasing some of those 6 million pigs for the state.

Another proposed method of abolishing rationing--although I do not know who could get the people to accept it--involves reducing individual rationing allowances by 1/2 kg. If I am currently entitled to 2.5 kg [a month], I would be getting 2 kg; a miner who currently receives 7 kg would have it reduced to 6.5 kg. Provided that this could be carried out, then--coupled with the additional procurement of 3 million pigs--we would have 450,000 metric tons of meat and meat products at our disposal and could put all that on the market outside the rationing system. I suggest that in this way we could abandon rationing indirectly.

[VETO] How would you price those 450,000 metric tons of meat in free market sales?

[Krasinski] It would cost somewhere between 10 and 15 percent more than it does now.

[VETO] The weak point of your proposal is that you would be taking 1/2 kg of cheaper meat away from, say, pensioners, and offering them 1/2 kg of more expensive meat instead--to get which they would probably have to stand in long lines again.

[Krasinski] There must be an absolute certainty that the meat will be available in the stores. We had no ration cards for 30 years previously, and yet there was meat in the stores. Why should it disappear now?

[VETO] There is the danger that after a while the prices of the whole market contingent of meat and meat products would go up and catch up with black market prices.

[Krasinski] Even if that were to happen, perhaps it would still be worthwhile to pull off such a maneuver, provided we can do away with rationing. In any case, the risk is considerable and it is essential to conduct some experiments first.

[VETO] So why are we not trying to do it? Who is afraid?

[Krasinski] No one is afraid. It is simply that no one has yet offered any concepts for discussion.

[VETO] We could also go back to the old concept of simply selling non-contracted slaughter meat in street markets--for instance, near Warsaw's Hala Mirowska. Why should people have to bring it into town illicitly, concealed in their shopping baskets? We do not believe that farmers would be asking much more for their products than suppliers do in the socialized sector.

[Krasinski] Farm-made sausage at Z600 for 1 kg can be bought from porters' lodges at many industrial enterprises. It is said to be better than its "state-produced" equivalent, which costs almost as much.

[VETO] We encourage our readers to consider the proposals that have been put forward here.

[Krasinski] I BELIEVE THAT THERE IS NOTHING WORSE THAN CHRONIC PROCRASTINATION WHEN IT COMES TO MATTERS AS IMPORTANT AS THESE. [Passage printed in capitalized boldface in original] LET US REMEMBER THAT CERTAIN ECONOMIC ORGANIZATIONS AND CERTAIN INSTITUTIONS ENJOY QUITE AN EASY LIFE THANKS TO THE RATIONING SYSTEM. IT IS HIGH TIME WE SHOOK THEM OUT OF THEIR BLISSFUL COMPLACENCY.

[VETO] Certain branches of Poldrob [poultry marketing enterprise] attempted to sell chickens on the side to the catering industry, and got told off for this by their authorities. If selling meat in street markets were to be permitted, it might finally begin to dawn on the store people that meat could also be available here without ration cards.

[Krasinski] An excellent idea, and it is indeed high time to talk about this issue. Otherwise, it may happen that we will only wake up and start the debate 100 years after the ration card was introduced.

#### The Fruit-and-Vegetable Serial

[VETO] We have noticed some disquieting fluctuations in the egg market. Now you can buy them, now you can't. And the price of eggs offer us even greater surprises. It is almost as if someone somewhere was controlling that market inefficiently and, indeed, unnecessarily.

[Krasinski] The egg market provides an illustration of how harmful it is to go against the reform. Commerce departments, or their patrons, in two major Polish urban complexes got it into their heads that their residents should be able to buy low-priced eggs. They decided--against all regulations, for they had no right to interfere with prices--that an egg would not cost more than Z14.50 in those two urban areas. So what happened next? In one of those places, there were no eggs to be found anywhere in state stores, while private retailers offered them at between Z21 and 23. I think that those people ought to pay great homage to the authors of the cheap egg project, for they put many millions of zlotys in their pockets. I myself saw two trailer loads of eggs being delivered from somewhere near Plock: They had been bought at Z11 apiece and retailed at Z23 here. And all because someone somewhere had decided that an egg was to cost Z14.50. THE POPULATION REJOICED OVER THE CHEAP EGGS BUT COULD NOT GET THEM CHEAP.

[VETO] You are, of course, talking about Katowice and Warsaw?

[Krasinski] That was not difficult to guess. But let us examine the consequences of such interference with prices. In Opole Province, the price of eggs had been set earlier at Z16, and so eggs were on sale everywhere, both state and private, at the same price. However, after 3 weeks of no eggs, both Warsaw and Katowice had to raise the price to Z17.50 to encourage deliveries by producers.

[VETO] A question begs to be asked here: Is it not going to be a waste of your time, discussing the reform for the umpteenth time at that Jachranka conference on "Reform in the Domestic Market," if you know that there will always be someone who "knows better" what to do?

[Krasinski] I do not think it will be a waste of time. By similar reasoning, VETO might also consider its activity to be a waste of time, but it is not so. I believe that you have done a grand job in these 2 years. After 30 years of old habits, it is impossible to change one's

thinking in a very short time. It should take another 5 years. And if, after those 5 years, we still show resistance in our thinking, then we can say about ourselves that we are a very inflexible nation.

[VETO] Is thoughtless interference in pricing a widespread phenomenon?

[Krasinski] Let us say we can find more examples of it. Let us, for instance, consider our fruit and vegetable market. It is a wonderful market. Such apples as we have here are not to be found in Hungary, nor in Czechoslovakia, nor indeed in Germany. And into this wonderful market entered our television. I do not understand why: After all, we ought to cherish and protect those things which are the best. Prices shot up within 5 to 6 days in each place visited by the television crew. They simply scared the growers off. Why should a grower be subjected to a silly interview with a clever reporter? The grower prefers not to come to the market, and if he is not there, prices will go up. THE RESULT WAS THAT TELEVISION, WHILE CRUSADING FOR PRICE REDUCTIONS, IN EFFECT BROUGHT ABOUT PRICE INCREASES. I must say that I watched that fruit-and-vegetable serial, produced by our television news teams, with great interest. One episode featured a saleswoman selling tomatoes in a PSS store [State Retailers' Cooperative].

"I see you have tomatoes at Z60 for 1 kg," says the reporter, Andrzej Zuber, in a tone which suggests that that is indeed the correct price. A moment later we are shown a street market, and then three boxes of tomatoes, priced at Z35, Z70 and Z110. And the reporter asks: "And why, may I ask, are you selling tomatoes at Z110?" He did not ask the PSS saleslady why she did not go to the trouble of sorting out her tomatoes and sell some cheaply to those who want to make tomato soup, some at a slightly higher price to those who want them for salad, and the best, at the highest price, to those who are preparing a wedding banquet. The woman who merely smiled into the camera was rewarded with praise, and the one who had gone to the trouble of sorting out her merchandise was told off.

They also showed another PSS grocer's store. A basket containing some cabbage and, next to the cabbage, some potatoes. "I can see," says Zuber, "that your prices are low." "That's right," answers the girl. A moment later the camera pans--with no commentary--along empty shelves with nothing but the low-price tags attached to them.

[VETO] Here in our paper we consider Andrzej Zuber to be an experienced journalist. Do you, Minister, really believe he was taken for a ride?

[Krasinski] You must judge that for yourselves. In one of the episodes of that most fascinating serial, we are again shown a street market. There are plenty of people shopping around, except at one market stall, which has no customers. The camera zooms up to the price tags displaying astronomical prices, 2.5 times higher than anywhere else. "Why are your fruit and vegetables so expensive?" asks the reporter. The beautifully turned-out lady owner of the stall sends seductive glances at millions of television viewers. Her smile is slightly ironic. Seeing the camera crew near her stall, she quickly wrote those high prices to get a free television appearance.

POLAND

DEPUTY DOMESTIC TRADE MINISTER DISCUSSES PRIVATE SECTOR

Warsaw KURIER POLSKI in Polish 26 Nov 84 p 3

/Interview with Marcin Nurowski, deputy minister of domestic trade and services, by Krystyna Doliniak: "The Ups and Downs of Independence"/

/Text/ The quality of our life is usually decided by large-scale issues. Frequently, however, our good frame of mind is also influenced by less important things-- successful purchases or services well rendered. It is well known that life consists of trivial things since, as some people say, the devil is hidden in details....

We discussed the problems associated with the operation of the private sector in services and small trade with Marcin Nurowski, the deputy minister of domestic trade and services.

/Question/ Goods are not the only means for inflation. The conditions of our market can also be improved by services, regardless of which sector of the economy they belong to. Thus, what is being done to improve the condition of small service and trade firms?

/Answer/ Their condition is by no means the worst. In order to convince oneself of this, it is sufficient to look at the Statistical Yearbook. The comparisons over a long period of time are of particular interest there. They constitute indisputable proof that these areas are continually developing, in spite of various market fluctuations. Toward the end of the 1960's, we had about 16,000 private trade shops, and presently there are already over 35,000 of them, twice as many. During this period, there was also growth in the private restaurant network. In 1969, 1,374 bars, diners, and small restaurants were operating, and presently we already have 5,541 of them. And although private owners are only on the fringe of trade and the restaurant industry, constituting two and over five percent of their turnover, respectively, they undoubtedly have an influence on making what is offered in the market and in catering more attractive and more complete. It is only in fruit and vegetable trade that private vendors are a considerable group, since in some regions they "control" as much as a third of the turnover.

Question Social needs are changing, however. Recently new types of services have appeared, for example travel agencies, financial advisors, and even places dealing with horoscopes. Can the legislator keep up with these innovations?

Answer All of the new types of services mentioned here, as well as many others, for example duplication centers and phonographic and geodesic-cartographic services, were included in last year's amendment to the law on performing trade. The proper agencies also issued appropriate rules regulating these matters in detail. Thus, one can state with complete confidence that legislative activity is keeping up with social needs in this respect. I think, however, that these new regulations do not deal only with these innovations. The most important matter, to which I wish to call attention, is that they instituted the principle of issuing permits without an expiration date for this type of activity. This is something with no precedent in Poland's postwar history. Such working conditions undoubtedly create a feeling of stability and "being certain of tomorrow," and also constitute an expression of the policy of the state, which is interested in the development of all socially and economically useful fields. In assessing the conditions for the operation of this economic sector, one can thus not help perceiving the scope of the favorable changes in the legal system.

Question Mixed feelings have been aroused, however, by the order recently issued by your ministry which introduces a requirement that a special permit be obtained for dealing in foreign goods....

Answer This decision was made under pressure from public opinion, which was upset by the high prices of these products and the fact that they began to drive out necessities. Shoppers thus had reason to oppose such a "distortion of proportions." For example, in Warsaw some shops "changed specialties" so much that instead of potatoes and vegetables they sold almost exclusively oranges and imported candy. I think that this order should finally straighten these matters out. Besides, it only affects part of private trade--3-4,000 shops--and, to tell the truth, the ones most interested in it are the owners of about 200 shops that in fact "specialize" in trading in imported goods. A great deal depends on how the new regulation is treated by local authorities. We in the ministry have already had the first indications that in some voivodships, permits to trade in products of foreign origin are being issued with all dispatch, but in others they are still waiting to be looked at. These decisions are obviously within the jurisdiction of the local trade administrations, which are most familiar with the specific features of the voivodship and, I hope, will make fair decisions. I would, however, like to call attention to the fact that not obtaining licenses for trading in foreign products does not at all violate the authorizations derived from previously issued permits for dealing in other products: fruit and vegetables, flowers, and thousands of industrial products, especially those with a handicraft origin. After all, these domestic products determine most of the turnover, and they are the ones that we mostly seek in private shops.

Question Prices in the vegetable market are an issue that has aroused a great deal of emotion in recent weeks. In particular, there has been a critical assessment of the price-forming activity of agents and private dealers.

/Answer/ Many misunderstandings arose about the prices. The rumors circulating say that we owe the high prices in this market to nonsocialized dealers alone. Meanwhile, however, it turns out from the comparisons of GUS /Central Office of Statistics/ that this view is not completely true. The statisticians analyzing the average yearly prices of the basic fruits and vegetables have stated that they differ minimally in cooperative, licensed, and marketplace trade. The laws of the market operate in this regard; it is virtually at equilibrium, and the differences of a few zlotys are often justified by the higher quality of the goods in private trade. This situation has also been considerably influenced by the activity of associations of private trade and services, which attempt to curb the price ambitions of some dealers.

/Question/ In the next few days, the congress of the Main Council of Associations of Private Trade and Services will meet. It will probably be an occasion for an assessment of the activity of the self-governing organs of private merchants, restaurateurs, and people providing services. Your ministry also supervises this sector of the economy. How do you assess the operation of this area of economic life under the conditions of the reform?

/Answer/ In my view, the self-governing organs of private trade and services have fulfilled public expectations. In many matters, they have proved that they are able to operate efficiently, effectively, and beneficially for everyone. A contribution to this has undoubtedly been made by the recent organizational changes, which brought about the separation of these associations from the affairs of private transportation, which has had its own organization for a year.

In particular, we have a high opinion of the price initiatives dictated by concern for the interests of consumers. For many years, and particularly since the time of the adoption of the law on prices, the associations have been conducting a disciplinary policy, among other things, adhering to the principle that margins should not exceed 30 percent. I wish to emphasize that all decisions affecting the problems of this sphere of the economy are coordinated with the self-governing organs; this is a practical implementation of the principle of "nothing about us without us." A favorable atmosphere for undertaking initiatives in this milieu has also been created by the legislative decisions adopted during the recent period, especially the April 1984 amendment to the law on performing trade. It gives private merchants, restaurateurs, and hotel owners the right to study these professions, which is undoubtedly evidence of trust in this professional group. The intention of the legislators was also to create a feeling of stability and professional prospects, due to the guarantee of the same conditions for private trade and services as in other small-scale production units. All of this means that the past term of the self-government organs should be considered a successful one, and that the congress should be wished successful deliberations.

/Interviewer/ Thank you for the interview.

9909

CSO: 2600/348

POLAND

MINISTERS CONFER WITH WORKER COUNCIL REPS ON 1985 PLAN

Chemical, Light Industries

Warsaw RZECZPOSPOLITA in Polish 8-9 Dec 84 p 2

[PAP report: "Ministerial Conferences with Representatives of Self-Governing Labor Organizations in the Chemical and Light Industries"]

[Text] To a considerable extent the chemical and light industries determine the flow of consumer goods to the marketplace and, among others, the burden of implementing the major assumption of the Central Annual Plan [CPR] in 1985, which is the attainment of equilibrium, depends upon them. Therefore, during the discussion which took place in Warsaw on 7 December regarding the implementation of this year's tasks, the attention of chairman of self-governing labor organizations representing 100 selected enterprises of this sector together with representatives of the ministry was concentrated on the determining factors of next year's plan during the meeting.

From the information presented, it appears that the sector performed well this year. Among others, in comparison, output is anticipated to rise by almost 7 percent in comparison with 1983, and furthermore considerably surpasses this year's CPR assumptions.

Thanks to this, among others, market requirements for shoes, woolen and wool-blend fabrics, ordinary glass, laundry soap powders and soap, and carpets were adequately covered. A distinct improvement also took place in many other instances, which with the implementation of CPR assignments in 1985 it is hoped will lead to the elimination of waiting lines for a majority of the market goods of this sector. All the same, several years' accumulation of unfulfilled demands for many products requires, as was stressed, decisive action on the part of enterprises for the purpose of increasing production and market supplies in 1985.

From this accounting, it is already evident that chemical and light industry enterprises will not have an easy time of it next year. Confronting them are many problems awaiting solution which are common to the entire economy but which, however, exist here in drastic proportions.

One of them is a manpower shortage. For example, in Lodz, the light industry capital, employment in industry declined by 60,000 persons since 1980, and by 1990 there will be a decline of approximately 4,000 to 5,000 people annually, or as many as are employed in the largest plants in that city. Attention was also directed to many possible avenues for counteracting this situation, thanks mostly to growth in labor productivity, achieved in turn thanks to an improvement in the utilization of working hours. Also still necessary are central government decisions.

In summarizing the discussion, Edward Grzywa, minister of the chemical and light industries, stressed the immense role of worker self-government in stimulating, initiating and solving issues vital to employment plants.

#### Transportation Industry

Warsaw RZECZPOSPOLITA in Polish 8-9 Dec 84 p.2

[PAP report: "In Transportaiton"]

[Text] The meeting of representatives of workforce self-government which took place on 7 December under the direction of the Ministry of Transportation was devoted to a discussion on this and next year's economic tasks confronting various spheres of transportation, as well as to recommendations arising from 2 years of work on the part of enterprises worker councils.

The implementation of economic reform assumptions, Minister Janusz Kaminski stated, is proceeding under rather difficult circumstances, due primarily to a lack of adequate rolling stock and also of certain materials and spare parts. Still, the main attention of this ministry is concentrated on assuring transport facilities, especially to mines and agriculture.

In 1985 the Ministry of Transportation will strive, among other things, to assign priorities to those modes of transportation that guarantee minimal use of energy and lower individual cost.

Worker council members, as the discussion confirmed, are greatly involved in the issue of the sensible management of their companies. They want them to be really self-financing. However, the method of reaching this goal, it was stated, cannot be achieved by raising transport tariff scales exclusively. Therefore, the self-government organization is really confronted, among others, with the task of motivating the work force to work more efficiently, which will provide a basis for improvement in salary conditions. There is also associated with this the question of the modification of allowances for this Vocational Activization Fund [FAZ].

More efficient work, it was pointed out, must go hand in hand with improvement in its quality. This is a labor-intensive process, but is indispensable.

## Power Industry

Warsaw RZECZPOSPOLITA in Polish 8-9 Dec 84 p 2

[PAP report: "In Power"]

[Text] Matters dealing with the performance of socioeconomic tasks in applying solutions to them were the subject of a branch meeting of representatives from the Ministry of Mining and Power, in which Deputy Minister Ryszard Buchowiecki and worker council chairmen from plants which are concentrated in the Megat Association of Machines and Energy Equipment participated. This meeting was held on 7 December in the Elta Transformer and Traction Apparatus Factory in Lodz.

The representatives of self-government organizations were informed of the economic results of the Ministry of Mining and Power as well as the association, and of tasks issuing from the CPR for 1985.

9951

CSO: 2600/330

POLAND

BANK CHIEF FACES RECORD, FUTURE OF 'TIGHT MONEY' POLICY

Warsaw RZECZPOSPOLITA in Polish 21 Nov 84 p 3

/Interview with Stanislaw Majewski, chairman of the Polish National Bank; time and place not given/

/Text/ What are the qualifications necessary to get credit to build a house? May a poor enterprise borrow money from a rich one? Why is interest on savings so low? Why do unprofitable enterprises pay their employees reasonably well?

These and a few dozen other questions, mostly on the subject of credit policy, were asked by the RZECZPOSPOLITA readers of Minister Stanislaw Majewski, chairman of the Polish National Bank. In our interview with the minister we used the most frequent questions and the rest were answered by the Polish National Bank department directors.

/Question/ Your signature is on the notes of the Polish National Bank. This is a reason for a feeling of satisfaction but you are signing notes of ever greater nominal value and decreasing real value. What is the current inflation?

/Answer/ It does not exceed 16 percent. Last year it was 23 percent. This comparison shows that the rate falls from year to year. Next year it will decrease to 12-13 percent and it will be a little higher than that planned for 1983-1985, i.e. below 10 percent.

The main reasons for inflation are the faster growth of wages relative to productivity and inefficient investing. A factory, until production starts, and that takes much too long, is nothing but a "pump" which pushes money into the market by paying construction wages without producing any goods.

/Question/ Do you save in a bank?

/Answer/ Of course. I am using a savings-clearing account.

/Question/ Are you satisfied with the interest your money earns at the bank? Is it not much higher in other countries?

/Answer/ The other way around--it is lower. For instance in the GDR and in Czechoslovakia....

/Question/ But the inflation over there is lower.

/Answer/ True, but our bank knows about inflation and tries to protect its customers. I want to remind you about the revaluation of balances in 1982. This was a unique operation in the world. The savers were paid 20 percent of their balances in revaluation bonds. And this is not all. The bonds were interest bearing (15 percent annually) which at compounded rate produces a 50 percent revaluation. Compare that with the 60 percent inflation over the 3 years. Is the rate of interest not fair?

Also, I remind you that we increased the rate of interest by one-half on the most popular savings accounts (from four to six percent), that we introduced a new type of savings account--a maturing savings book whose rate of interest equals the current rate of inflation and, as inflation slows down, savings will become more attractive and more profitable.

/Question/ If this continues, we will be afraid that the bank will lower the rate of interest.

/Answer/ We do not have such plans. But let me go back to the comparison with other countries. One of your readers used the example of Yugoslavia where bank deposits bear the rate of interest between 3 and 36 percent! Very high!

But inflation over there reaches 60 percent annually. At best, bank interest rates over there eliminate just half of inflation's effects. This is an extreme case, inflation in that country is exceptionally high, but since there was a question....

/Question/ The Polish National Bank is a monopolist. If it does not give credit, there nowhere to go. Do you think that it would be healthy for the economy if there were a few banks competing among themselves?

/Answer/ Until there is a capital market, conditions do not permit competition among banks. To compete, banks must obtain resources in the market place. Such possibilities do not exist today. The main, or at least significant, source of funds would be credit refinanced by the Polish National Bank. In other words, there would be different banks having one source of financing. Not a competitive situation.

/Question/ Are you for a bank monopoly or for many competing banks?

/Answer/ We entered the economic reform under the conditions of deep imbalance. For this reason, I have been and I continue to be of the opinion that a strong, centralized banking structure is necessary to permit the state to manage the economy effectively. Decentralization of banking system at this time is not advisable.

It is difficult to say when it should start. But there is no sense to hurry up. In Yugoslavia, the country we have already mentioned, there are many banks and they are thinking about reversing the process.

I believe that the economy would be better off if the Polish National Bank were subdivided into a few specialized units rather than by the creation of banks competing among themselves. The banking law is starting that process. It demands that the PKO /Postal Saving Bank/ be made an independent state bank for the population.

/Question/ So, this would be the return to the Universal Saving Bank.

/Answer/ Yes, but not exactly. The PKO after being separated will serve the general public but also will conduct credit operations such as financing residential construction and local undertakings.

Under consideration is the creation of a bank for small producers which would finance all small producers, both socialized and nonsocialized.

The new banking law simplified the process of setting up new banks. They can be created by an order from Council of Ministers.

/Question/ So far, the PKO has not become independent and the general public gets the loans from the Polish National Bank. What can we expect next year?

/Answer/ Basically, the same as this year. The requirements for granting credit for individual residential construction will not change (in 1985, we are earmarking for this purpose 48 billion zlotys), the age limit for young married couples will be increased (to 35 years). The period of time during which that credit can be used is being extended to 3 years from the moment of obtaining the apartment. About 36 billion zlotys are earmarked for the MM credit. At the same time, the rate of interest on this credit will go up and, in view of the criticism of the system as it was in the past, the assistance of the employer in repaying the credit will be made optional.

/Question/ Why is tight money just as tight for good enterprises as for bad ones?

/Answer/ In granting credit to enterprises, we are not automatically following any set of rules. We neither give the same amounts to everybody nor as much as they want. Credit is granted on the basis of a contract between the bank and the borrower after examining his ability to repay. And we are quite detached about it.

/Question/ The accusation is quite common that the bank which 2 years ago, and even just 1 year ago, was rather severe with unprofitable enterprises (e.g. construction enterprises) is becoming much more lenient.

/Answer/ I do not agree. In accordance with the Sejm act, we adjust our requirements and our intervention. The final result of our intervention is the appointment of trustees to manage the enterprise and either save it or liquidate.

We have the policy of tight credit and we intend to continue it. The requirements next year will not be any easier, to the contrary--they will be more severe.

Question A request for details....

Answer Too early for that, but I can tell you that the bank will demand an increased share of enterprise's own resources in financing current operations and development costs.

Interest rates on time deposits will be raised in order to provide an incentive to save one's own investment funds. We are planning for 1-, 2- and 3-year deposits.

Question Will a poorer enterprise be allowed to borrow, using the bank as an intermediary, from a richer enterprise?

Answer The bank need not be a middleman. It is up to the poorer enterprise to find a richer one which is willing to give credit. The bank encourages loans from one enterprise to another. I know about such cases despite the general opinion that this is impossible, especially when the loan giving enterprise is using bank credit. This will be explained in the regulations.

Question Lined up for credit are old and large investments which take away the money that could be used for new and profitable investments.

Answer True. The investment front is still too wide and disorderly. The room for maneuver for innovative and modernizing investments is too small. For this reason, the Planning Commission, after long deliberations, abandoned the plan to cut down the outlays for enterprise investments.

I want to emphasize that modernizing efforts consisting of installing machinery, equipment and new technology in the existing production facilities will be supported by the bank credit.

Question The credit policy has gaps. There are two channels to obtain credit. One is through the Polish National Bank and the other through the Ministry of Finance. If the bank does not grant the credit, one goes to the Ministry of Finance for a relief or a subsidy. And usually one gets it. Credit has to be repaid with interest while a relief or a subsidy need not be repaid. This is why the investment front is so wide and disorderly.

Answer In theory you are right. In practice, the problem is much more complicated. Relief, such as easier amortization schedule, is granted to those enterprises whose profitability is low for reasons beyond their control, as for instance in cases where price does not cover the cost of production.

Also, investments of structural character cannot be excluded from the budget financing. The whole burden cannot be borne by the credit institutions as the repayment cannot be guaranteed.

Question Many readers ask why do we maintain the low rate of exchange for the dollar. Export still does not pay, import continues to be more profitable. This is shown by the lack of interest in the hard currency auctions.

Answer First, I question the thesis that it does not pay to export. Analyses conducted by the bank and other institutions show that overall production for export is the most profitable for enterprises, it is better than production for supplies or for the market.

However, there are many sectors of the economy which, because of outdated technology, low quality of product and high production costs, do not fit within the dollar exchange rate. They are the ones which think that it is not their cost of production that is too high but that the exchange rate is too low.

There are suggestions that various rates of exchange should be used for various branches of the economy. I do not think this makes sense. The dollar rate of exchange is higher than the average profitability of export.

Question For the first time in years, there were no rumors this fall that money will be exchanged. Where is credit due?

Answer Despite many shortages occurring in the marketplace and causing serious inconvenience to the public (I have in mind the so-called micro imbalances), there is a marked overall improvement, the favorable trends are getting stronger. Also, inflation is slower. In other words, money is less hot and people sense it.

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CSO: 2600/264

POLAND

PLANNING OFFICIALS DEBATE KEY SCI-TECH POLICY GOALS

Warsaw RZECZPOSPOLITA in Polish 7 Dec 84 p 1, 2

[PAP report: "National Socioeconomic Plan for the Years 1986 to 1990:  
The Role and Responsibilities of Science and Technology]

[Text] Proposals for the scientific-technological policy in the 5-year plan for the years 1986 to 1990 were the subject matter of discussions held by the Presidium of the Planning Commission attached to the Council of Ministers in which representatives of management of the Polish Academy of Sciences [PAN], Chief Technical Organization [NOT] and other interested organizations, institutions, and government agencies participated.

As Planning Commission Chairman Manfred Gorywoda emphasized, the fundamental responsibility during the next 5 years must be the increased efficiency of the economy. The implementation of this task will not be possible without a change in scientific-technological policy, without increased participation of the world of science and technology in resolving the basic problems of our economy. This particularly concerns increasing exporting capabilities of the manufacturing industry and a decrease in the waste of the materials and energy of production. In the prepared programs of scientific research and technological advancement, consideration must also be afforded above all to essential areas and directions from the point of view of proposed socio-economic objectives for the years 1986 to 1990 and beyond.

The discussion focused attention on the role of science and technology in areas strategic to the national economy. Of special concern here are such areas as microelectronics, industrial robots biotechnology, material engineering and nuclear technology and, therefore, areas bearing an influence on the development of future industries that will manufacture products based on so-called high technology.

On the basis of material presented at the meeting concerning the threat of losing further ground on a technological level in the main subsectors of the economy to progressive countries, the development of selected fields of technology, the achievements of scientific institutes and agencies with scientific research support, the efficiency of scientific research and technological progress was critically appraised. It was pointed out that the fundamental gauge of this efficiency must be progress on the level of

quality and modernity of manufactured goods. Introductory procedures, as was stated, should be regarded as the weakest aspect in the implementation of scientific-technological progress. This very sphere, therefore, requires radical solutions minimizing and clarifying the way "from the idea to industry."

This must be accompanied by increased funds for the field of science and technology and improvement in the efficiency of their utilization. The allocation of these funds in the national income should increase systematically over the years, and in this sphere, it was emphasized, the principle of linking outlays with results must be compulsory. Increased funds for science and technology will be possible only on the basis of greater productivity obtained, thanks to scientific-research support.

An important element for providing increased efficiency from these outlays must be the concentration of resources on the advancement of science and technology which had been heretofore excessively dissipated. Of special concern are the stimulation and acceleration of research which can decide the level of production and the modernity of specific spheres of industry, subsectors or goods. This also requires, as was emphasized, increased coordination of research now in progress. In this context attention was also turned to the necessity of improving and disseminating scientific-technological information.

As stated by Deputy Premier Zbieniew Szalajda, who took part in the meeting, a review of previous research programs should prove beneficial to an increase in funds spent on science and technology. The organization of these programs should be more precisely adapted to socioeconomic goals which will be determined in the 5-year plan.

Attention was also directed to the urgency for increasing the innovative capacity of enterprises themselves. It was acknowledged that previous economic-financial solutions in this area are inadequate.

The creation of more favorable conditions for the development of innovative industry can also be served, as was stated, by relying on qualified enterprises to introduce modern products and technology on a semitechnological scale, for example, in the field of microelectronics, low-tonnage chemistry, reference books, biotechnology, medicines and pharmaceutical raw materials.

The decisions of the Presidium of the Planning Commission attached to the Council of Ministers will constitute the basis for further work on the proposals of central government research programs as well as governmental orders, within the framework of preplan studies being conducted for the National Socioeconomic Plan for the years 1986 to 1990.

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CSO: 2600/330

POLAND

PLANNING CHIEF BRIEFS GOVERNORS ON 1985 PLAN

Warsaw RZECZPOSPOLITA in Polish 8-9 Dec 84 pp 1, 5

[Article by (Kos): "Governors Meet; 1985 Central Annual Plan: Greater Results With the Same Outlay"]

[Text] An evaluation of the socioeconomic situation, progress on work on the 1985 plan, and also the national administration's assignment issuing from the 17th Plenum of the PZPR Central Committee as well as current local administration problems--it was to these issues that the most recent governors' conference which took place on 7 December in Siedlce was devoted. Deputy Premier Manfred Gorywoda, chairman of the Planning Commission attached to the Council of Ministers, led the conference. In attendance were representatives from the Office of the Council of Ministers, the Planning Commission attached to the Council of Ministers, the National Bank of Poland, and the following governmental agencies: administration and land use management; domestic trade and services; finance; labor, wages and social affairs; agriculture and food economy as well as 16 governors and vice governors from central and eastern Poland.

Local administration assignments accruing from the Central Annual Plan for 1985 were not the subject of discussion; only the advantages flowing from earlier information concerning general assumptions were referred to, which made possible better preparation, on this basis, of their own plans. On the other hand, much was said about the difficulties with which individual cities and villages are grappling.

It appears that the lack of equipment and machines in construction enterprises constitutes a serious regional obstacle to overcome.

A shortage of equipment and materials likewise obstructs work meant to benefit agriculture, including land reclamation and those projects whose objective it is to provide villages with water.

Capital investment is the subject which most frequently appeared in the discussions and in various variants. A "bottleneck" in the form of construction firms makes impossible significant growth in housing resources--the making up of delays in the infrastructure, and the shortage of schools, preschools, and hospitals in "young" provinces is particularly acute.

Modest finances as well as executive capabilities are also reflected in the case of heating plants, sewage disposal plants and other investments from the area of environmental protection.

The problems expressed by participants in the conference are often already resolved or will be reanalyzed in the very near future--so stated the representatives of the central government. Only in one instance, from a financial aid standpoint, was the territorial organization left with little hope.

Certainly, outlays in 1986 will not be less than in 1985, Deputy Premier M Gorywoda remarked. As the Planning Commission, we will propose priority concepts for production investments, because there exists a need for updating and modernizing the aging machinery park in industry. This will mean slower consumption growth.

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CSO: 2600/330

POLAND

#### REFORM LAWS HONORED IN COAL MINING INDUSTRY

Warsaw RZECZPOSPOLITA in Polish 6 Dec 84 p 3

[Interview with Czeslaw Piotrowski, minister of mining and energy]

[Text] Generally speaking, we have enough coal today. However, will we run short of coal in the future? How can we manage our resources? How should we preserve Silesia from the environmental degradation caused by mining? How large are the salaries of coal miners? Why are the mines not run as independent enterprises? How much does it really cost to mine 1 ton of coal?

For our interview with General Czeslaw Piotrowski, minister of mining and energy, we chose questions submitted by our readers dealing with independent management, self-government and self-financing of the mining enterprises. The questions often had the impression that the economic reforms have not touched the coal-mining industry.

The directors of individual departments within the ministry of mining and energy will supply the answers to more detailed questions on the subject. Following is the conversation with the minister.

[Question] Coal exports are increasing, as are the needs for coal in the country. Output has stabilized now at around 190 million tons of coal per year. What are we supposed to expect? Will there be enough coal for us?

[Answer] We do not have that much coal. We have heard these comments very often. We have some coal in reserve and this permits us to look forward to the winter. But the amount of the supply is lower than last year and soon we will start to feel a coal shortage. This will happen for sure if we continue to manage our present supplies wastefully.

#### The Main Source of Energy

The mining industry has done whatever it can to convince the recipients that because of the coal and energy shortage, it has been unable to reach its production levels. Unfortunately, the use of coal has nothing to do with industrial production. How many enterprises are there that use a large amount of energy only to insure the capacity of the plant for one shift

or for work only after the Saturday-Sunday break? Only for the last 3 years has the mining industry worked a 6-day week and 3 shifts per day. Of course, there have been special salary compensations for working Saturdays and days off from work.

We also should remember our future. The main fuel energy has been and will be coal. We have to build new mines that will be utilized only in 10 or 20 years. But we must invest right now. Meanwhile, there has been pressure from different levels and already we have restrictions on the construction of new mines.

[Question] Specialists are saying, however, that it is cheaper to invest in savings and rational exploitation of savings.

[Answer] We also can ask the questions of whether we should wash our hands or feet. If we want to have enough coal and energy now and in the future, we have to invest in the construction of new mines, power stations and industry, and at the same time to save coal and conserve energy. There is no dilemma here. Coal is nonrenewable, so we always have to invest and prepare in advance, build new accesses to the coal and keep production at least at the same level. Otherwise the production will fall.

[Question] What do we really have to do for the economy to save coal? Is the only recipe to raise the price of coal and energy?

[Answer] I do not understand the source of this question. Coal and energy are not expensive; on the contrary, the increasing prices for them are still lower than for other products. The fact that the government is controlling the price of coal and energy (cheap) means that nobody cares about how much they cost. Even the foresters want to burn coal because they do not want to burn wood and nobody wants lignite. What is cheap is in reality expensive--it is not respected.

And above all this question has nothing to do with the mining industry. It is not the mining industry that dictates the price of coal. The price of coal is lowered by the cost of production and world prices. The cost of production of 1 ton of coal is now about 20 percent higher than the sales market price and about 50 percent higher than the sales price. If coal prices were at world-level prices, the price we would export to the West, then coal mining would not need subsidies and we could return a large profit to the state budget, under the condition, however, that prices for other products and services would have similar relations. The current price policy means a total lack of self-financing not only for mining development but also for current mining.

#### How Much Do Miners Earn?

[Question] Maybe the mines that are not making a profit should be closed? Others say that the high salaries of miners raise the cost of mining.

[Answer] We cannot close the mines because there would be an immediate coal shortage. I want to emphasize that it is not the miners' fault. There are different geological conditions, different types of coal and different working conditions underground. These factors have different influences on the cost of mining. This is why there must be subsidies in the budget (because the prices are too low) and equalizing financial agents among the mines, as each ounce of coal is needed and the cost of mining changes. This is beyond the control of the miners. For example, any catastrophe or geological anomaly requires a change in the organization to extract the coal. These factors usually cause slowdowns in the mining of coal, while at the same time the cost of mining coal goes up. And how does one select the mines that are not making a profit?

Returning to the subject of miners' salaries, sometimes the talk going around on this subject is simply fantastic. The salaries for miners during a work-week (from Monday to Friday) are around 23,000 zlotys per month, whereas in industry the salaries are around 18,000 zlotys per month. The miners also work every Saturday and some services like drainage, ventilation or repairs are performed on Sundays. The salaries for work on Saturdays and Sundays are higher, of course. The average here is 7,500 zlotys per month. The view that miners' salaries are high is not realistic. Forgotten are the very difficult working conditions underground and the requirements for high work discipline. The miners cannot go for beer or cigarettes during working hours and they cannot be late for work or leave early because individuals cannot be left alone below ground.

[Question] Because of the large subsidies in the budget and the different mining conditions, it is difficult to discuss self-financing of the mines. What is the situation with the other two S's? The general opinion is that the reform hasn't touched mining yet. There has even been the suggestion that mining has broken the rules of the reform. This concerns mostly the lack of self-government in the mines.

Not Each to His Own

[Answer] How should I answer this question? The author of this question probably would like to have every mind to as it pleases, produce as much as it wants and sell by any dictated price. But let's try to live with this. How will our economy look when it exists almost entirely from coal? We are producing almost 96 percent of our energy from pit coal and brown coal. Almost 100 percent of the heating plants depend on coal and 83 percent of our fuel is coal. Self-government, in the understanding of the author's question, would make it impossible to invest in a mine without a profit. But we have to guide the economy, so we can take advantage of both good and bad ledgers. We have heard, which is not true, that we are managing badly.

This is why the reform in mining has taken into consideration the specific characteristics of this industry. If you gentlemen do not believe me, then you can check it out.

Under today's conditions of the new economic system, we have been accused that the mines do not have self-government. But after all, those same mines and enterprises--because of the lack of conditions for self-government--wanted to give to the unions many of their functions and tasks. And the union management had to undertake many of the functions, such as coordination and control, even though they did not have the necessary competence to do so.

This is why we have created multibranch mining enterprises, many of which now exist in our economy. These multibranch enterprises have existed for many years in the energy area. For more than 8 years, gas and oil have had the same multifaceted structures. They have passed their examinations and are in the framework of the reform. So what is the problem? We also have these enterprises in electronics, lignite mining and industry. The mining companies have been created in full accordance with the law about state enterprises. They exist in accordance with the law of September 1981.

#### Mining Companies and the Three S's

The creation of the mining companies was preceded by a period of complex regulations. One of the initiatives of the mining was workers' self-government, whose members participated from the beginning in the formulation of concepts and documents. Positive support also came from the Sejm's Mining and Energy Commission, the unions, the Engineers and Mining Technicians Association and youth organizations. The lack of differences expressed by the companies with the law has led to the rapid registration of their status in the courts.

Undoubtedly, we have here the oversensitivity of society. I don't hide the fact that there are whispers heard among some to the effect that whatever is bad for mining must be "better."

Mining companies as enterprises have self-government, as does any other enterprises under the law. Self-financing will exist to the degree that prices permit. But the mines have self-government as accepted by the mining companies under the law.

[Question] Self-government. This is one of the reproaches.

[Answer] This is also a misunderstanding. I think that, thanks to the mining companies, self-government in mining would be more easily regulated. Self-government exists in 36 mines, which is more than half. The existing workers' councils have acted properly and been active from the beginning in the organization of the mining companies. At present, there are preparations in every mine for new elections to the workers' councils in the mining companies. This process should be completed within 6 months after creation of the mining companies.

We cannot agree that the Ministry of Mining and Energy is breaking the law regarding the self-government of enterprises. Mining will have self-government according to the law, just like those that exist in any other industry. And on the same basis. I don't understand this anxiety. There are

many examples of good work by the workers' councils in the multibranch enterprises. They can see the complexities and the difficulty in making decisions. Working in self-government is for them to learn how to govern and the lessons of democracy.

I have let myself be dragged into this lengthy discussion about the reform. But this is good as it allows us to dispel the many doubts that exist and to try to convince the readers that this ministry is working within the law on reform toward the betterment of the economy.

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CSO: 2600/331

POLAND

FOREIGN TRADE OFFICIAL ANSWERS COMPLAINTS ABOUT TRIPS ABROAD

Warsaw ZYCIE WARSZAWY in Polish 27-28 Oct 84 pp 1, 2

[Interview with Boleslaw Wierzchon, director of the Coordination, Promotion and Services Office, Ministry of Foreign Trade, by Henryk Chadzynski: "Trips--Myths and Facts"; date and place not given]

[Text] [Question] Trips abroad always were an attraction but, in the current economic situation, their attractiveness has grown out of proportion. One often hears and reads of their motivational importance. Recently, in ZYCIE WARSZAWY, the deputy minister of construction stated that without export and trips related to it, it is getting progressively more difficult to keep construction crews working on residential housing. At the same time, one can hear accusations that foreign trips at government expense are out of proportion to the volume of our trade. Is it really true that, although our exports are not as large as we would wish and the export of electrical engineering industry products to the West is decreasing, these trips are getting more numerous?

[Answer] I believe that the question to be answered is whether business trips fulfill properly their objective, which is to promote exports, or whether they serve some autonomous role. Since, however, one of the accusations is that exports are decreasing while the trips are more numerous, I can cite some figures which will debunk the myths. Besides, I do not think that there is necessarily a direct relationship between trips and exports. It happens that during difficult periods, when demand slackens and competition grows, it is necessary to make an extra effort which will produce results only after some time passes.

Besides, different industries must be treated individually, although, if we are looking for long-range trends, a comparison with the volume of trade or with the volume of exports may serve as a good index which should be considered. The truth is that business trips related to procurement (because there are trips related to already-signed contracts which are financed as a contract cost) are not showing any dramatic increase. Evidence is provided by foreign expenses. In 1980, business trips in relation to export within the first payments area, i.e., in socialist countries, amounted to 0.064 percent. In 1981, when exports decreased, they amounted to 0.047 percent, and in 1983 to 0.066 percent. Thus,

the ratio to exports is practically the same. On the other hand, in the second payments area, i.e., in the capitalist countries, the ratio in 1980 was 0.119 percent and in 1983 the ratio was 0.081; therefore, the cost of business trips decreased.

[Question] Who goes on procurement business? Industrial exporters often complain that the trips are monopolized by central authorities. This was the slogan of once fashionable organizational integration, i.e., take-overs by ministries and the old central associations. What is the current situation? Within the framework of the reform, is the participation in foreign trips of people from factories commensurate with the needs?

[Answer] I have in front of me statistical data regarding business trips as registered by our commercial counselors. Their offices have the duty to register everyone who comes to the country on trade matters and to evaluate whether the trip served its purpose. In 1982, the commercial counselors' offices registered 36,930 persons, out of which 54 percent were employed by foreign trade enterprises. The balance were from industry. They were representing their enterprises, design offices and other industrial organizations. Last year the proportion of foreign trade enterprises' employees decreased to 52 percent. Obviously, it is not only trade enterprise employees who go on trips.

[Question] Are those people who actually go on trips the ones who really should? And who decides? For instance, recently I heard that our delegations to the GDR, USSR and Czechoslovakia are several times more numerous than the host delegations.

[Answer] This is a subject which needs to be discussed at length, since it is related to a very delicate, emotional and controversial issue. It should be remembered that at one time there were demands to decentralize these matters. Now, however, the popular demand is that the ministry control requirements for trips on a daily basis. First, such detailed control is simply impossible and, second, under the economic reform rules employee trips are controlled by the management of independent and self-financing foreign trade enterprises. The ministry's duty, in its supervisory role, is to oversee the overall ratios and trends, react properly to the indications shown by them, and conduct systematic inspections.

Economic considerations, however, are decisive. Today the ministry only determines the ratio of acquisition costs, including the cost of trips, to sales, or rather to exports. A director of an enterprise or of a foreign trade office who is independent and responsible for results knows that if the expenses are misused he would be cutting off the branch on which he is sitting. If there are no exports there will be no money for the payroll, and there would be no trips at all.

With regard to the number of people in delegations--decentralization might have played a role. The reform has wrought many changes. The producers are independent and they can select a trading company or try to arrange export transactions by themselves. Thus, it is conceivable that representatives

of a few independent plants may be members of a delegation to negotiate an order. This does not mean that no improprieties ever take place. I wish to emphasize that in these matters administrative control is not enough; public control is a must and perceptive internal analysis in the enterprises is also necessary to assure that the resources spent on promotion are well used. This is a routine task for the boards of directors. At the ministerial level we deal, or wish to deal, with generalizations. The effectiveness of promotional work done by the trips is the key. We pay close attention to this in our ministry. There is always room for improved supervision, but the key to effectiveness is provided by institutional solutions.

[Question] What is the geographical layout of these trips? Where do the employees go to make their acquisitions?

[Answer] Trips to socialist countries clearly dominate. Over 30 percent of the total were trips to the USSR, and about 16-17 percent to Czechoslovakia and the GDR. Among the trips to developed capitalist countries, trips to the FRG, Great Britain, France and Italy dominate. Among the developing countries, one-half of the trips were to the Near East and Middle East. I believe that this pattern of trips corresponds to the geography of our trade.

An evaluation of the reasons for trips can best be made by the enterprises that send people on those trips. Our foreign trade representatives also provide important controls, since they know the real world best and know whether a trip was necessary or its purpose could have been achieved through correspondence. According to the offices of our commercial counselors, most of the trips were necessary and effectively used. Also, it is significant that those trips were not improvised but coordinated ahead of time with our trade centers abroad or the resident delegations.

[Question] Because every trip is an object of envy, the assignments to foreign posts are even more so. Are such assignments more frequent than they were before? Again, one hears accusations that the number of officials serving our trade and paid in hard currency is too great.

[Answer] The number of foreign posts and the number of personnel stationed abroad was greatly reduced. Occasionally, we feel that the reductions were excessive in relation to the tasks which need to be accomplished when fighting for customers and orders. In 1980, the Ministry of Foreign Trade had a total of 110 posts and 660 personnel slots. Currently, the number of posts has been decreased to 85 and the number of employees to 449. Thus, the number of posts was reduced by 30 percent and the number of personnel slots by 47 percent. There was also a reduction in foreign trade enterprise representatives. In 1980 there were 291, and currently there are 176. Especially worrisome is the decrease in the number of representatives in developing capitalist countries: from 26 to 12.

[Question] Generally, what are our promotional expenditures in comparison with other countries?

[Answer] I believe we can count ourselves among the frugal ones. In 1983, the average promotional costs in foreign trade enterprises amounted to 0.13 percent of the value of exports, and all expenditure for that purpose amounted to 0.17 percent of the value of exports. (The corresponding index in Czechoslovakia was 0.38 percent.) A statistical average like this embraces a wide variety of actual figures. At one extreme, we have Weglokoks, whose expenses are equal to 0.008 percent of the value of exports. At the other extreme we have Ars Polonia, which exports books and objects of art and has a promotional expenditure equal to 1.3 percent. I believe that in the short run we can maintain this ratio, but if we are thinking about expanding we have to be prepared to spend on advertising, fairs, expositions and business trips. Evaluation of that expenditure, however, cannot be based on myth but must be based on facts.

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POLAND

## FOREIGN TRADE ACTIVITIES, PROBLEMS OF MINEX ENTERPRISE

### Export Problems

Warsaw RYNKI ZAGRANICZNE in Polish 15 Nov 84 p 5

[Article by Zbigniew Mankiewicz]

[Text] Minex, which is celebrating its 35th year in operation, needs no introduction. Polish glass and ceramics are known nearly worldwide. However, this does not mean that our products are without equal. The export results of the last few years indicate that there is strong competition on world markets, from which we do not always emerge victorious.

For some time now, the worldwide demand for glass and ceramics has not been showing a high growth rate. This is due to, among other things, economic difficulties which have arisen in the majority of Western countries. In this situation, manufacturers with an established name have the greatest chance of succeeding. Their "brand name" products as opposed to others are always more popular.

The tone for world production is set by firms from economically developed countries. The glass-making and ceramics industry in these countries constitutes a modern and developed manufacturing field. Its constant development is determined by new possibilities of glass and ceramics application, for example, in the building industry, in the building materials industry, the shipbuilding and automotive industries, and in the field of electronics, telecommunications, etc.

Functional glass and ceramics are also subject to significant changes which on the one hand are the result of fluctuations in consumer preferences and expectations, and on the other a rising level of prosperity in highly developed countries. This second factor has influenced the growth of the consumer market for expensive, high-quality, assorted goods. Luxury glass and ceramic items are being increasingly treated in many countries as a good investment. This applies particularly to crystal and large tableware services made from high-quality china.

Besides expensive goods, the consumer market of standard, relatively low-priced goods is also doing well. In both cases, the condition for commercial success is the constant raising of the quality of the offered products, improving promotional work and also introducing increasingly interesting models and designs.

An enormous role in the sale of glass and ceramic consumer goods is also played by the way in which they are displayed and their packaging. Based on the example of the most respected firms, it is obvious that effective packaging is currently an indispensable condition for favorable exporting to Western markets.

The largest manufacturers and exporters in the glass-ceramics industry are developed capitalist countries, including primarily the FRG, the United States, Great Britain, France, Italy, and Japan. These countries are characterized by a generally high index of the share of exports in total production. Thus, in the FRG approximately 40 percent of ceramic products and crystal is destined for foreign clients, while in Italy as much as 70 percent of glass and crystal products reach the world market.

A high degree of export specialization is also evident in other countries. An example of this is Czechoslovakia, which sets aside approximately 50 percent of its glass and ceramic production for export. The situation is similar in the GDR and in Romania.

The situation is somewhat different in our case. The export share of total production does not even reach 20 percent. The relatively best results in this respect are those obtained by the Pruszkow Plants [ZP], Ujscie Glassworks and Jaroszowiec Glassworks. By way of example, in 1983 ZP Pruszkow set aside 29.7 percent of its production for export. It is worth adding, however, that this enterprise's share in the total exports of the glass-ceramics industry barely reached 3.2 percent. On the other hand, our largest exporter, the Krosno Glassworks, whose share is 16.8 percent of the entire export of the glass-ceramics industry, sends 10 percent of their manufactured products abroad.

The beginning of the 1980's was an extremely difficult period for Polish glass and ceramic exports. During this time, a rather sharp drop in deliveries occurred resulting, above all, from well-known economic difficulties which occurred in our country. Whereas in 1980, which was a particularly good year for Minex, exports to the second payments area reached a value of 4.97 billion zlotys, in 1983 they amounted to barely 3.18 billion zlotys. In other words, last year's export constituted approximately 64 percent of the 1980 shipments. The greatest drop in turnover was noted in 1982, at which time exports decreased by nearly one-third in comparison with 1981. Last year passed under the sign of a marked halt to the falling trend. The results obtained at that time allowed Minex to adopt a rather ambitious export plan for the current year.

Between 1980 and 1983, there was a drop in exports to the second payments area in all areas of the glass and ceramics industry. The export of crystal presented the worst picture. Last year it barely amounted to 477 million zlotys, while in 1980 it was more than twice as high, reaching a level of nearly 960 million zlotys. This indicated that the average annual rate of export decline amounted to more than 20 percent. A marked worsening of results was also noted in the case of domestic glassware. The value of shipments for 1983 scarcely reached 60 percent. On the other hand, the lowest rate of decline was demonstrated in the area of technological and architectural glass.

This year's trends indicate that the streak of bad luck in the export of glass and china will be broken. For the first time in several years, there will be an increase in shipments to markets with free foreign exchange. The export intensification plan worked out by Minex makes it possible to assume that the next few years will be characterized by an increasingly higher growth rate of shipments to the second payments area. The highest rate of growth is assumed in the case of technological glass, crystal and table ceramicware.

Among the external reasons for the drop in exports in recent years is the continuing recession in capitalist countries. In this situation, a flexible price policy was frequently a condition for maintaining the existing inflow of income. In the case of one of the largest market outlets, the United States, the suspension of the most-favored-nation status [KNU] had an effect on the worsening of results. Customs duty increases had to be leveled off with appropriate price reductions on our products. However, there is no doubt that the worsening of exports results had its roots in internal determining factors.

Product quality and level of pattern-design constitute two basic factors of commercial success. This is evidenced, for example, by the Krosno Glassworks, which attaches great importance to raising the quality and improving the pattern design of their products. However, not all of our enterprises exert similar efforts.

The quality of glass is determined by, among other things, absolute clarity of color or lack of color, uniform thickness, to say nothing of such a detail as precise workmanship. By way of example, a greyish or greenish tint totally disqualifies a product on the world market. On the other hand, the quality of china is determined by the white color and the translucence of the material used. Improvement in this area depends not only on the production techniques, worker skill and qualifications, but also on the raw materials used. Some of our domestic raw materials are considerably inferior to foreign raw materials in this respect, thus affecting the quality of the finished products. In addition, refractory materials which are supplied by our home industry leave much to be desired.

The necessity of continually introducing innovations to the glass-ceramics industry is obvious if we want to meet the requirements of foreign markets. It should be stated that last year brought positive changes in the area of

design. As a result of the closer cooperation between Minex and manufacturing plants and achieved progress in the area of conveying information to industry about the current styles in vogue, work has begun on many new forms, which in the immediate future may become great hits in our offered line of products. In order to achieve further improvements in the area of design, it is indispensable that the status of the designer be raised in the production plan. A no less important issue is the development of the most effective methods of testing new products among foreign clients.

With the future in mind, Minex is organizing foreign trips for designers to, among other places, the most important exhibitions, for the purpose of acquainting the designers with fashion trends and with the designs of the competition. As a side note, it may be added that recently there has been a fashion trend toward colorless and thin-walled glass, which is often hand- or machine-painted. The greatest demand is for glass decorated by inexpensive ornamental methods and light and slender in form. There is a departure from thick and heavy products. The exception to this are the Scandinavian countries, which have their own original designs.

Improving export results is not only a matter of proper quality and design but also a problem involving production costs. Continual price increases with the concurrent inability to compensate them with increases in foreign-exchange prices threaten export production with unprofitability. This matter requires a thorough analysis of the principles of calculation and the accuracy with which production costs are determined. Irrespective of this, one of the ways in which these costs may be lowered is by changing the production methods of many products. For example, in the case of glass rim finishing, instead of using the traditional method of cracking off, cutting and polishing, we should adopt heat treatment finishing on cutting-fire finishing machines.

The growth of exports in the next few years also depends on supplementing our product assortment with automatic machine-produced products. This same goal may be served by increasing the production of pressed crystal. This problem was already noticed earlier by our competitors. Thus, for example, pressed crystal constitutes 50 percent of Czechoslovakia's export, while the share of these products in our export does not exceed 15 percent.

Another assignment for the immediate future is to make progress in the area of decorative packaging. The era of drab cartons is long gone. Therefore, there is a need for undertaking joint efforts on the part of business and industry for the prompt introduction of our own attractive packaging.

In summing up, it may be said that the growth of glass and ceramic exports depends on:

- the assurance of systematic deliveries of quality materials for production;
- solving the employment problem;
- halting production cost increases;
- complying with the norms and standards of manufactured goods;
- strengthening the role of design centers in production plants;
- the prompt introduction of attractive packaging, without which we do not stand a chance on the world market of glass and ceramics.

An essential condition for the intensification of exports is the revival of the suspended capital expenditures in production enterprises. The process of equipment wear and tear with age, its obsolescence and poor condition make it difficult currently to manufacture products on a proper level.

There is not a great deal of interest in exports on the part of the majority of manufacturers currently. It is much more profitable to supply the products to the domestic market, which will absorb everything regardless of the quality of workmanship. Changing this ratio in favor of exports depends, among other things, on strengthening the existing incentive system. Thus, manufacturers are proposing that foreign-exchange allowance rates be set at a level which would ensure funds for the purchase of indispensable raw and other materials and replacement parts for machinery. In addition, the industry submits comments on reductions for exporting plants of the PFAZ [State Vocational Activation Fund] burden which are deemed too small. To enable the rebuilding of machinery, it is also proposed that depreciation in its entirety remain in enterprises which sell their products abroad. Finally, many objections are directed toward the system of awarding bonuses for export results.

It is difficult to determine to what extent the implementation of these proposals would contribute to the animation and improvement of our export production. However, one thing is certain--the Polish glass and ceramics industry has the resources at its disposal for increasing shipments to foreign markets. Therefore, it is high time that this became fact.

Minex Director Quizzed

Warsaw RYNKI ZAGRANICZNE in Polish 15 Nov 84 p 8

[Interview with Zygmunt Lis, general manager of Minex Export-Import Center, by Zbigniew Mankiewicz]

[Text] [Question] Minex is celebrating its 35th anniversary. This presents an occasion for summing up its accomplishments thus far. Would you be kind enough to outline briefly the road covered by your enterprise during the past 35 years?

[Answer] The beginnings of our activity were extremely modest. I will permit myself to recall several facts from the "birth" of the enterprise. The Minex Export-Import Center [CEI] for the Mineral Industry's Products was created by the minister of foreign trade on 1 January 1949. It was composed of three branch departments apportioned out of the Varimex Polish Foreign Trade Company and somewhat later the Export Bureau of the Cement Industry Association in Sosnowiec. The conditions in which we began working were primitive. However, despite small and uncomfortable quarters and the lack of basic office equipment, great zeal for work was the common trait among all our workers.

Among the tasks of the newly-created enterprise was the export of cement, mineral raw materials and building materials as well as glass and ceramic

consumer goods. The implementation of these tasks was, at that time, very difficult due to the destruction of our industry. Our export assortment was limited. In addition, right off we were met with stiff competition from more industrialized countries, which suffered less destruction during the war.

In 1949, the value of trade turnover amounted to 45 million foreign-exchange zlotys. The following years passed under the sign of a dynamic growth of exports and imports. In 1960, trade turnover came close to 350 million foreign-exchange zlotys, and in 1977 it had already attained a level of 1.2 billion foreign-exchange zlotys. This rapid growth became disturbed at the beginning of the 1980's as a result of the economic crisis which affected our country. In 1983 there was relative stability in trade turnover. It surpassed 21.2 billion negotiable zlotys.

I would like to emphasize that from the beginning of the existence of Minex its employees have displayed great attachment to the practice of their profession. Today, approximately 40 percent of the employees have more than 15 years of work behind them at CEI Minex. I am convinced that the combination of an experienced cadre together with young and at the same time professionally well-prepared workers guarantees the proper implementation of the tasks which stand before us and the development of the center.

[Question] The name Minex is most frequently associated with the export of crystal and glass and ceramic consumer goods. Meanwhile, building and incombustible materials as well as various mineral raw materials take up a sizeable share of your exports. What is, therefore, the current commodity structure of Minex's exports?

[Answer] The range of sold goods is to some extent a reflection of the production potential of our industry and also of the needs of foreign markets. It is a matter of course that the assortment of products which we supply undergoes certain changes in connection with the expansion of the export line of goods. Nevertheless, glass and ceramics are traditionally the largest commodity group, which besides consumer goods such as glass tableware, crystal and china includes architectural, packaging and technological glass and glass for illuminating purposes. Last year, this group's share in Minex's exports came to 57.5 percent. The second-place group, in terms of volume, were building materials such as cement, lime, gypsum, synthetic materials, stone and aggregate rock, which altogether had a 33 percent share in exports in 1983. The remaining 9 percent fell to incombustible and various raw materials.

[Question] Not everyone knows that a decided majority of the goods are sent to countries with exchangeable hard currency. What are the main markets?

[Answer] Last year's value of shipments to the second payments area amounted to 5.1 billion zlotys, which constitutes approximately 76 percent of our entire export. Traditionally, our main markets are Western Europe, North America and Australia. However, I would like to point out that our presence is also known in many other parts of the world, such as in Asian and African countries. Our goods are sold on nearly 100 markets.

Taking into account the entire trade turnover for 1983, our largest partners were the USSR, the CSSR and Yugoslavia, while in the second payments area it was the FRG, Great Britain, Brazil, the United States, Denmark, Australia and Canada.

[Question] From among the products which you export, I would think that Polish glassware is probably the most valued abroad. It suffices to mention the constant popularity of products bearing the Krosno company label. It may be said, I should think, that table glassware has in a way become our export specialty. What is the secret behind this success?

[Answer] A condition for good export results is, above all, properly understood and implemented cooperation between industry and a foreign trade enterprise. Krosno is the best example of this. It also demonstrates that export success depends on the quality and adaptation of the assortment to the demands of foreign consumers. Only in this way can a well-known and respected product name be made on the world market. On the other hand, it is up to the foreign trade agency to ensure proper price policies and sales organization.

[Question] Therefore, what sales channels does Minex use?

[Answer] We use various organizational forms of the market network on markets of the second payments area. However, we preface that our exports be serviced by trading companies with the involvement of Minex capital and that of other foreign trade enterprises. Last year, the share of exports implemented by means of Minex's foreign trade companies amounted to 33 percent, while that of other partnerships with the participation of Polish capital was 3 percent.

Foreign agents and middlemen also have a considerable share in the sale of our goods. In 1983, 32 percent of Minex's exports fell to them. The remaining part of exports, 32 percent, were made up of direct shipments to foreign clients.

[Question] Minex devotes most of its attention to export matters in its activity. However, exports play a smaller role--at least currently--in your trade turnover than imports. Therefore, what is the volume of your imports, their commodity and geographic structure?

[Answer] Last year, we imported goods from abroad for a sum of approximately 14.5 billion zlotys. Therefore, 68 percent of our trade turnover was in imports. However, most of our imports come from socialist countries. The Minex Export-Import Center is the sole importer of mineral raw materials intended for Polish industry. These materials include asbestos, magnesite, porcelain clay, mica, refractories and scarce building materials. We also import a relatively small amount of glass and porcelain to enrich the domestic market.

I would like to stress here that in the last period we have attained a surplus of exports over imports in trade turnover with countries of the second payments area.

[Question] In assessing the activity of Minex thus far, we also cannot overlook the difficulties which it has faced. Such a disturbing occurrence was the rather rapid decline of exports during the last 3 years. What caused the worsening of export results?

[Answer] This was for reasons of an internal as well as an external nature. During this period, for known reasons there was quite a sharp decline in production, which also affected industries which we service. As a result, we had serious problems with ensuring shipments of merchandise to our partners in accordance with contracts which had been negotiated earlier. The worst is already behind us and currently we are systematically rebuilding our standing on world markets.

However, as far as external reasons are concerned, in first place I would mention the restrictive policy of Western countries and in particular that of the United States, which suspended the most-favored-nation status of Poland. Another important factor was the collapse of the demand for cement on the Nigerian market, which until recently was considered the largest in the world. The drop in demand was accompanied by a concurrent sudden increase of cement supplies on the world market. This was the result of, on the one hand, decreased demand in many countries, particularly the oil-producing nations, and on the other hand the emergence of new suppliers of building materials.

[Question] Therefore, what is being done to break the streak of bad luck?

[Answer] We are concentrating our activity on tightening our contracts with producers and on adapting our export line more closely to the expectations and tastes of our consumers on markets "open" to trade with Poland. At the same time, in trade policy we are aiming for a gradual geographic reorientation of our exports with the intention of increasing the commodity volume going out to European markets and acquiring new clients, especially in the Third World. For this reason, we are exerting a lot of effort on acquiring new merchandise--something which is already bringing in results. It should be pointed out that we have expanded cooperation with our largest partners within the CEMA framework, the USSR and the CSSR, which are the major suppliers of mineral raw materials for the domestic industry.

[Question] For over a year, Minex has been a partnership according to commercial law. This organizational form of foreign trade units is being assessed in a variety of ways. What has been your experience in this area?

[Answer] The experiences up to this point should be considered good. The new form of cooperation with industry within the framework of a partnership as defined by commercial law has a constructive influence on the entire scope of the Center's activity. Without a doubt, the feeling of joint responsibility for export results has risen among the majority of partners. It is still too early to talk about a genuine community of interests; nevertheless, we have made a serious step in that direction. In order not to be accused of making unsubstantiated remarks, I will say that this year, owing to increasingly better cooperation, we are succeeding

in implementing the export plan ahead of time. The introduction of new forms of cooperation with our partners in industry, such as issuing credit by the Center for small modernizing investments which serve export production, is a fact which also deserves to be pointed out.

[Question] What are your hopes with regard to industry?

[Answer] I will not be original if I say that, above all, we would like to increase the volume of export commodities and adapt them to the demands of our foreign consumers. However, for that to occur further progress in the integration of producers and merchants is necessary, as is the more complete use of production and export potential and the broadening of knowledge about foreign trade in industry. The joint participation of industry and of the foreign trade apparatus in the creation of trade plans and in the expansion of export production should also be conducive to the formation of fully partner-like relations.

[Question] Is the existing incentive system conducive to changes in production which correspond to your proposals? How should the accepted systems-type solutions be improved?

[Answer] It is difficult to answer this question in a few words. However, in our opinion activity should be aimed primarily at increasing the supply of foreign-exchange currency in enterprises by the proper setting of foreign-exchange allowance rates for exports. This would make it possible to cover the import needs of production plants more fully. The possibilities which lie in the field of foreign-exchange credit and monetary auctions should also be used to a greater extent than has been the case until now.

Regardless of this, more daring and imagination is needed in using financial export incentives because producers do not always take full advantage of the rights and benefits to which they are entitled in this regard.

Finally, it is necessary to mention the value of exempting from central balancing such export items from our line as packaging and architectural glass, or restoring to the manufacturers of these products allowances to which manufacturers who do not enjoy the "benefits" of central balancing are entitled. This matter is supposed to be settled positively in the next few days owing to the assistance of the minister of foreign trade. In general, it should be stated that export production must receive special privileges and benefits for an extended period of time. This arises from the possibility of economic reform, a tense payments situation and, above all, the "seller's market" which places the manufacturer in a privileged situation. Without elaborating on this subject, I can only state that at the moment the domestic market becomes satiated--such cases are already occurring in our industry --the manufacturer is capable, in a relatively short period of time, of conforming to the demands of the foreign market while at the same time exhibiting flexibility and a great deal of aggressiveness.

[Question] What are Minex's goals for the immediate future?

[Answer] Before I answer this question, I would like to point out that the current year is in a certain sense a turning point as far as our activity during the last few years is concerned. The results obtained thus far reveal that this year's exports will be considerably higher than last year's. According to the plan, we are to sell goods in the sum of over 9 billion zlotys. I would also like to add here that our shipments to free foreign-exchange markets are to surpass 7.1 billion zlotys, while a year ago their value amounted to 5.1 billion zlotys.

However, as far as our goals for the immediate future are concerned, we wish to take up activity aimed at, first of all, creating together with industry a vital export program; second, on the basis of this program, increasing exports to the second payments area; third, further improving sales organization on foreign markets; fourth, actively involving the partnership in activity for export production. We are also closer to solving some of the serious problems which have a bearing on the rank and volume of our exports, among which I would include the creation of a base in Polish ports for stevedoring loose cement and attractive packaging for glass and ceramicware.

[Interviewer] Thank you for the interview.

#### Additional Comments by Director

Warsaw ZYCIE WARSZAWY in Polish 19 Nov 84 pp 1, 4

[Interview with Zygmunt Lis, general manager of Minex, by Henryk Chadzynski]

[Text] [Question] It is a fortunate set of circumstances that Minex exports goods which are not in short supply in the country and some of which appear in surplus amounts. What I have in mind is not only cement but products which constitute the basis for your exports, such as glass, crystal, china, and also architectural and technological glass. To what degree does the fact of a limited sales outlet on the domestic market cause an export to be treated as chance? Has the suppliers' attitude changed as a result?

[Answer] We are noticing a rather fundamental change. There is even a certain aggressiveness on the part of suppliers, who are complaining that we are not selling efficiently enough. They send in complaints and exert pressure on us. This is some kind of new attitude in which we are seeking out more favorable trends. Simply stated, many plants are no longer concerned only about foreign-exchange allowances for taking care of the most indispensable import needs, but also about starting to make profits on exports, since otherwise, with limited demand in the country, they would be threatened with financial ruin. Without exports, many plants would have no chance for survival.

[Question] Good intentions are most likely not enough. What determines success?

[Answer] Outside of market conditions and various difficulties which are not in short supply, since we continue to keenly feel, for example, the restrictions on the American market, the possibility of selling--and what I have in mind is profitable exporting--is determined by, above all, good products, and therefore their quality, packaging and also the reliability of the exporter who fulfills his obligations on time. This is the plain truth; unfortunately, in practice it does not always strike the awareness of our suppliers.

[Question] Do you, however, observe understanding on the part of the manufacturer that the strength of market penetration is decided by quality merchandise produced at competitive prices, thus not too expensively?

[Answer] The best example of this is the Krosno glass factory. Owing to specialized production, the Krosno Glassworks have developed into a leading exporter in this field and set aside 75 percent of their products for foreign markets. This example best demonstrates that export success depends on the quality of production and the adaptation of the product assortment to the demands of foreign consumers. Krosno has achieved that reputation. Of course, this also required commercial effort and the assurance of proper sales organization and price policy. Thus, lasting success is achieved through common, conscientious work and the professional skill of both the manufacturer and the exporter.

[Question] To what extent does the form of a partnership in which suppliers also have a part contribute to this common effort and improved coordination of interests?

[Answer] Our experience to date indicates that the new form of cooperation with industry, within the framework of a partnership, may have a bearing on improving interaction. Of course, it is difficult to talk about a genuine community of interests at this early stage. We are just taking our first steps in this direction but owing to better cooperation, we are succeeding in implementing our export plan ahead of time. I believe that in the future such cooperation will have decisive importance, where industry not only will feel the benefits in the form of dividends but where it will become aware that foreign trade is the partner who can successfully help in overcoming difficulties, for example, by issuing credit for small modernizing investments for export production.

[Question] Therefore, what is indispensable for more complete integration?

[Answer] Better synchronization of mutual benefits, greater knowledge on the part of manufacturers about the problems of foreign trade and about the fact that one can dictate neither conditions nor prices on the world market. In turn, merchants should have a better knowledge of the production and export potential of plants. In the future, partner-like relations should be furthered by the creation of trade plans and by the growth of export production. We have many examples today which attest to the fact that under conditions where the domestic market is satiated, the manufacturer may, if he so wishes, adapt his activity to the demands of the foreign market in a short period of time.

[Question] To what markets do your exports go?

[Answer] Traditionally, our major markets are Western European countries, North America and Australia. However, we sell our goods in nearly 100 countries. Among socialist countries, our largest partners are the trade organizations of the USSR, the CSSR and Yugoslavia. Among capitalist countries, our most important markets are the FRG, Great Britain, Brazil, the United States, Denmark, Australia and Canada.

[Question] However, Minex is not only an exporter but also an importer that supplies the country with many important materials. How is the ratio between exports and imports shaping up? To what degree are exports capable of bringing in the necessary foreign exchange for imports?

[Answer] Approximately 68 percent of our trade turnover falls to imports. Minex is the sole importer of mineral raw materials for our industry, such as asbestos, magnesite, porcelain clay, mica, refractory materials and also building materials which we do not have in the country. We also import small amounts of glass and ceramicware to enrich the domestic market. Last year, we imported goods from abroad for a total of approximately 14.5 billion zlotys. Most of our imports come from socialist countries. On the other hand, we succeeded recently in coming up with a surplus of exports over imports in our trade turnover with countries of the second payments area. However, this occurred not only due to the mechanical limiting of imports but primarily because of increased exports.

[Question] Have you succeeded in overcoming the difficulties and eliminating those obstacles which caused the alarming drop in exports in the last 2 years?

[Answer] The drop in exports had various causes. The internal causes which led to a sharp collapse of production and, thus, to problems with assuring deliveries of goods to our partners were well known. In this respect, the worst is behind us now and we are gradually rebuilding our standing on world markets. However, this also depends on external conditions, which are still unfavorable in many countries. We continue to feel the restrictive policies of certain countries, particularly those of the United States, which has created a major barrier for our exports. The collapse of demand for, e.g., cement on the Nigerian market was also a vital factor. Until recently, this market was considered the largest in the world. The drop in demand was also accompanied by a rapid rise in the supply of cement on the world market.

[Question] How were you able to penetrate the markets with your goods?

[Answer] The decisive factor was the better adaptation of our selection of goods to the expectations and tastes of the consumers on those markets which were open to trade with us. Thus, the geography of exports has changed. We aimed at acquiring the markets of developing countries and at increasing sales in European countries. We also developed cooperation with our biggest partners in CEMA, which are the main suppliers of mineral raw materials for the domestic industry.

[Question] To what extent will these efforts be visible by the end of the year in export revenues?

[Answer] On the basis of the results obtained thus far, this year's exports will be substantially larger than last year. According to plan, we are to sell goods for a total value of over 9 billion zlotys. The fulfillment and even, as I predict, the surpassing of these tasks will constitute a significant increase in exports in comparison with last year. Our shipments to free foreign-exchange markets are supposed to exceed 7.1 billion zlotys, whereas a year ago their value amounted to 5.1 billion zlotys.

[Question] Would you be kind enough to outline briefly Minex's plans for the immediate future?

[Answer] Above all, we want to develop a program together with industry which would project vital export growth. In addition to this program, we will work on improving sales organization and undertake various kinds of initiatives, within the partnership framework, for assistance to exporters. We are also close to solving some of the serious problems which have a bearing on the rank and volume of our exports. An example of this can be the creation of a base in Polish ports for the stevedoring of loose cement and coming to terms with decorative packaging for glass and ceramicware. I believe that these would be undertakings which would be conducive to further growth and to turning a rich tradition to profit, for this year Minex is celebrating its 35th year of existence.

9853

CSO: 2600/343

POLAND

PROGRESS OF ECONOMIC REFORM IN STATE FARMS SUMMARIZED

Management, Crop Structure

Warsaw DZIENNIK LUDOWY in Polish 7 Dec 84 pp 1, 6

[Article by Jerzy Pomykallo: "Higher Production in State Farms"]

[Text] After four years of operation under new economic and financial condition, some improvement has appeared in PGR (State Farms) figures.

While losses in the 1980-1981 marketing year amounted to 26.9 billion zlotys, they have now shrunk to 2 billion zlotys. The number of state farms operating at a loss has also dropped. Only 60 enterprises showed losses in the 1983-1984 year. Four years ago there were more than six times as many. Unfortunately, there are many farms which are not actually operating at a loss, but the profits they are earning do not permit them to expand. Over 30 percent of the farms fall into this category.

New rules of economics and assumptions of agricultural policy have forced the state farms to change their crop structure. Hog- and cattle-raising farms must use their own feed, and only to a small degree are their feed supplies supplemented with imported protein concentrates.

Guided by the above assumptions, the state farms enlarged their grain and oil and leguminous crop areas by several percent. They decreased the corn acreage in favor of green fodder, potatoes, and sugar beets. The crop-structure changes made for more efficient utilization of artificial fertilizers: over 300,000 tons less were used.

The croplands under the control of the state farms also shrunk--by 147,000 hectares. In many cases, this made it possible to save fuel. In the 1983-1984 marketing year, the state farms used 27 percent less ethyl gasoline and diesel oil.

Conformance to the rules of reform forced the state farms to reduce hog and cattle herd, which often were fed only imported feed. The number of hogs dropped by 200,000 (compared with 1980 figures), and there are now 700,000 fewer cattle.

Commodity livestock production was lower than prior to 1980, but sales of grain, rape, and papilionaceous-plant seeds were higher, indicating that these crops are profitable.

As the Minister of Agriculture and Food Economy, Stanislaw Zieba, reported at a press conference, the state farms are not an alternative to the peasant economy. The state's agricultural policy on this remains unchanged. The state farms are supposed to supplement and support private agriculture where necessary.

#### Analysis by Dr Manteuffel

Warsaw DZIENNIK LUDOWY in Polish 14 Dec 84 p 3

[Article by Prof (Dr) Ryszard Manteuffel: "State Farms on Growth Curve"]

[Text] The state farms are the sector of the national economy with the longest experience in management under economic reform. This is because they began to apply reform six months earlier than the nonagricultural sectors, i.e., on 1 July 1981, while industry and other sectors of the national economy did not come under reform until 1 January 1982. Therefore, the state farms already have three years of management experience, from the 1981-1982 marketing year through the 1983 marketing year.

1. During this time large changes occurred in the state farms. First of all, in response to cost-effectiveness analyses recommendations, they made important changes in the structure of production. It was shifted in the direction of a comparative increase in the size of plant production, while the size of animal production was adapted to the amounts of feed available, including grain. Under present conditions, when the ability to use imported grain, and also imported feed, is limited, this is the correct course to follow. However, it also created some temporary difficulties. It is not possible to use all feeds, without exception, produced in the state farms (meadow grass, beet pulp, and some others), because the grasslands and sugar-beet cultivation areas are not evenly distributed throughout the country. When ruminant cattle herds are located in regions where there are large areas of sugar-beets (Wielkopolska, Zamojszczyzna, etc.), it is difficult to use up all of the beet-pulp. On the other hand, in the northeast regions of the country, and in the hilly areas, where there are large expanses of meadows and pasturelands, there are large surpluses of meadow grasses and pastures. The farm managements are aware that there is waste as a result of this, and are working hard to correct these inconsistencies. May I add that despite this, cattle herds began to increase slightly in the past year.

Management efficiency is gradually improving. Mistakes in use of lands which either are not suitable for cultivation or are badly located, or are of the wrong configuration or size, are being corrected. Improvements are being made in the use of artificial fertilizers and a perceptible, if slow, improvement is being made in the use of organic fertilizers. These are also being regarded as exceptionally valuable fertilizers.

Mistakes made in the construction of farm buildings are being rectified. Some badly designed buildings are being rebuilt by the farms themselves. Where possible, excess dung pits are being eliminated and the lands are being protected against the degradation caused by overfertilization with this liquid manure.

Because climate conditions were good for agriculture and soil-cultivation these last three years, improvements have also appeared in agricultural engineering, especially in the mechanical cultivation of soil. This was made obvious by the year-to-year, over the last five years, growth of four-grain yields. Yields, especially of grain, this year were the highest in the history of agriculture.

Finally, there was a decline in the amounts of individual cost elements, in fixed prices, per hectare.

All of these positive signs, although not just they alone, are the result of the application of the basic principles of economic reform in the state farms. Not just on paper, but in concrete production. These principles, as we know, are: self-dependence, self-management, and self-financing.

2. But the state farms have found themselves in a rather unusual situation. They are subject to two different systems at the same time, systems in which different principles apply and, in part, different regulations. The state farms are state enterprises, therefore according to present regulations they are subject to the law on state enterprises and the principles of economic reform apply to them. Yet they are agricultural enterprises, thus they should comply with the principle of agricultural unity, as one of its three sectors--the state. Therefore, if the principle is applied reasonably, they should have the same rights and duties as the remaining two sectors of agriculture: private and cooperative. The state farms rightly believe that a state agricultural enterprise cannot be put on the same footing as an industrial enterprise, from the standpoint of the rigors of an economic reform built on the basis of the peculiarities of an industrial enterprise. This is due to the fact that in an agricultural enterprise, just as in agriculture as a whole, an additional production factor comes into play. That factor is nature, which cannot be totally subordinated to the will of man, as is the case with production factors in an industrial enterprise.

The Council of Ministers recognized the correctness of this principle, and using the authority which economic reform bestows to adapt the rules of reform to atypical situations, granted the state farms two extenuations to the rules and one form of assistance. They are as follows:

--A reduction of contributions for the ZUS (Social Security Agency) from 43 percent of the wage fund to 20 percent.

--A reduction of payments to PFAZ (State Vocational Activation Fund) initially to 20 percent, and then to 2.5 percent, with the expectation that this payment will be completely eliminated.

Both these extenuations are justified by the fact that other sectors of agriculture do not make these payments.

--A subsidy granted to the state farms for municipal management, in the sum of 6 billion zlotys annually. The National Association of State Farms proposes, however, that this subsidy be discontinued in exchange for specific assistance in housing construction. Construction, particularly of housing, is a problem which is still unresolved and which has an impact on the entire economy of this sector.

In addition to this subsidy, the state farms, just as other sectors of agriculture, receive certain other types of subsidies intended to support the expansion of agriculture; for example, for biological progress. These types of subsidies for agriculture are granted by all developed countries in the world.

3. After three years of economic reform in the state farms, with certain adaptations of this reform to the conditions under which agriculture operates, the financial situation in this sector has distinctly improved. Of course, not everything, as I have already mentioned, can be ascribed to the blessings which reform brings. But it is difficult to separate these reasons, so let us put these matters aside and go on to the facts. In the last year before economic reform was introduced into the state farms, their final balance statement, on the national scale, showed losses of 22 billion zlotys (in the zlotys of that time), not counting 28 billion zlotys in materials subsidies and unfavorable budgetary discrepancies. After three years of economic reform, the profit statement showed 50 billion zlotys, with relatively much lower materials subsidies. Thus, regardless of other reasons of an objective nature (weather conditions, etc.), the improvement is obvious.

But the figures given apply only to the state farms as a whole. The figures of the individual enterprises, depending on the region of the country, the amount of investment, and the quality of management, differ tremendously. In terms of 1 hectare of arable land, they fluctuate from 62,000 zlotys profit to 20,000 zlotys loss. If there were no intervention whatsoever, approximately one-third of the agricultural enterprises under the Ministry of Agriculture and Food Economy (and there are 1,300 of them) would be unprofitable or on the border of unprofitability. This would create a highly troublesome situation. Thus, at the initiative of the National Association of State Farms, a decision was made to establish an internal Equalization Fund. This fund would be used to grant temporary assistance, based on approved objective criteria, to most of the several-hundred enterprises mentioned. In so doing, the number of enterprises operating at a loss last year was reduced to 65. The Association leadership as well as the state farms in general are aware of the fact that this measure is not compatible with the intentions of economic reform, and that is why the aid to the enterprises in a nonreimbursable form was limited to three years. After this time, the Equalization Fund, if it is still in existence, will be used solely to grant repayable credits.

The Equalization Fund, which amounted to 8 billion zlotys last year, was established, with the permission of the Minister of Finance, out of voluntary payments from the financial surpluses of profitable and highly profitable enterprises.

The size of these nonreimbursable subsidies for enterprises operating at a loss, is determined from an evaluation of the nature-related and, in part, economic conditions prevailing in those enterprises. The assessment is based on a so-called "valorization index of productive agricultural space."

Economic reform in the state farms, to a large degree, puts a halt to the occasional interventions of some parent agencies of these enterprises, i.e., certain provincial administrations. Guided by the current needs of the province, they try to influence the structure of production established by the enterprise. This brings no results, but only makes the management and workforce of the enterprise less inclined to take responsibility for their actions. The occasional subsidies granted to the weaker enterprises have a similarly negative effect.

In order to create more incentives for the workforces to increase their production and to obtain parity with the two remaining sectors of agriculture, the National Association of State Farms is considering the possibility of changing the way in which the enterprises financial results are assessed. The new method would use a category of state-farm profit, and a category of income, which would also include remuneration for work.

9295  
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POLAND

FINAL 1984 RESULTS, FUTURE PLANS OF AGRICULTURE ANNOUNCED

Warsaw RZECZPOSPOLITA in Polish 7 Dec 84 pp 1, 2

/Article by (jesz): "Agriculture Is Coming Along Fine" /

/Text/ For the first time in history, 30 quintals per hectare harvested. How is the cattle purchasing center to be enlarged?

Nineteen eighty-four will go down in history as a favorable year for Polish agriculture. Not only was a substantial increase in overall production achieved, but there was a substantial increase in the output of manufactured goods in that sector of the economy as well. Considerably great progress was also recorded in crop production.

For the first time in the history of Polish agriculture, a harvest of 30 quintals of grain per hectare was gained. How should we best utilize these results in satisfying the public's needs, and what should we do in order that future harvests are just as favorable? The answers to these questions were sought at a 2-day (5 and 6 December 1984) council of the deputy governors who supervise food economy issues.

The minister of agriculture and food economy, Stanislaw Zieba, stated: "We can be happy in our professional circle over our agricultural results which, according to all indicators, surpassed the objectives of the Annual Central Plan. At the same time, we need to keep in mind that these results continue to be lower than our social requirements, but that we should set our objectives for future years on the basis of these results."

The agricultural results attained this year speak for a continuation of the actions which have already been undertaken during that period. The tested concept of modern crop cultivation technology will be expanded in grain production. Every year will see an increase in the amount of grain harvested by combines. This inexpensive, quick method of harvesting, which also provides the chance to reduce losses, entails a need to build new warehouses and install drying houses. A really favorable system of credit will help investors with this.

Efforts to intensify agriculture will continue. Next year will see an increase from 4 to 5.5 billion zlotys for investments in biological development which serves for a better utilization of plant and animal genetic potential; subsidies

will also continue for those agents which enhance harvests, i.e., lime and artificial fertilizers. The rebates for artificial fertilizers alone require outlays of 4 billion zlotys.

With regard to equipment, the decisive criterion will be net manufactured goods; the cooperatives of farmers' circles will also enjoy priority with regard to machinery. The government will review in the very near future a program for the expansion of land reclamation. The utilization of already existing equipment requires improvement.

As far as processing is concerned, there has been a return to small factories.

In helping investors in processing, the climate needs to be utilized to increase the potential of branches which quickly provide payoffs, e.g., fruit and vegetables.

Unfortunately, hardly any improvement in the cattle purchasing center has been attained. On the one hand, there are factors which facilitate this improvement--money, fodder, production profitability, sufficient base herds; on the other hand, there are factors which hinder improvement--not enough speed in the socialized purchase center vis-a-vis demand. Simply put, there are clients willing to pay more. The so-called repurchase of herds, i.e., the number of animals collected in relation to the condition of each animal, fell to 34 percent. Once it was as much as 80 percent! There are even provinces where it amounts to only 13 and 16 percent! A socialized purchase center is more strongly associated with farms which turn out a large number of manufactured goods.

In order to resist the decline in deliveries to socialized purchase points, decisions will be made to eliminate the private sale of imported concentrates. At the same time, the allocation of these concentrates (up to 80 kg) for farmers of provinces which surpass the national average in the collection of herds will be provided.

From 1 January 1985, the running contract should also be discontinued. Practically speaking, this type of contract prevented new contracts from being made.

The governors, accepting the solution proposed by the ministry leadership, simultaneously turned their attention to the limited opportunities to influence. Cooperative plants are protected by a cooperative law, enterprises are protected by state law--the Act on Enterprises. The levels for steering economics remains predominantly outside the control of the provinces. The examples of enormous differences between individual provinces, however, prove that such opportunities do exist. Their utilization for better satisfying the public's needs is one of the most important tasks facing state administration.

12247  
CSO: 2600/382

POLAND

AGRICULTURAL POLICY CONTROVERSIES AIRED

Views of Konrad Bajan

Warsaw POLITYKA in Polish 1 Dec 84 p 5

[Text] ([...] POLITYKA does not share most of the views presented below by Professor Bajan, either the general remarks or the detailed observations relating to the party farming policy, the link between industry and agriculture or the direct relationship between the political system and production. Shortly, we shall publish an article by Professor A. Wos, whose views correspond on the whole to those of the POLITYKA editors.)

The 40th anniversary of socialist rule in Poland is an excuse for reflections about the progress attained so far. However, it is important to draw an honest balance sheet and make sure that the conclusions and observations do not ignore the most important problems on which the future of the country will depend.

The commentaries about the past are full of subjective views reflecting the political views of their authors. In a way, this is understandable. However, this anniversary should not be merely an opportunity for presenting views opposed to socialism. The problems of agriculture are among the most controversial issues in Poland. This is the object of the fiercest political debates: some people are in favor of changes and the building of socialism also in the countryside, whilst others want to continue the old order. That is, the consolidation of private capitalist relations.

It is undeniable that Polish agriculture and the entire countryside have witnessed considerable progress in the last four decades. Along with the growth of agricultural production came a change in the material, social, cultural and welfare situation in the countryside. But does the progress attained correspond to the possibilities and the aspirations? Was it not possible to attain more? Both food production and the living conditions in the countryside have been improving all over the world, with the most developed countries reporting the highest percentage of growth. Poland occupies a low place on this list. Also among the socialist countries, Poland is lying at the bottom of the list. Compared to the years 1969-71, agricultural production rose by 131 percent worldwide, 126 percent in socialist countries, but only 111 percent in Poland. Since 1979, Poland

has had negative growth rates in agricultural production. So while the successes attained in production are a source of satisfaction, they do not by far meet the country's demands.

Insufficient availability of the means of agricultural production is regarded as one of the main reasons for the underdevelopment of farming in Poland. In fact, it has even been suggested that it is industry rather than farming that is underdeveloped. It is true that the amount of production means supplied to farmers is still insufficient, especially if one compares the overall percentage of sales of industrial products to farmers in Poland and elsewhere. In highly developed countries, industrial products account for 25-30 percent of the production input that the farmers buy, in socialist countries the corresponding index is 15 percent but in Poland it is as low as 6 percent. There is no denying that Polish industry lags behind the industries of other countries.

However, this is not because of the backwardness of Polish industry or because its capacity is too small, but rather because of its structure. However, it should be noted that many indices of the saturation of means of production would look different if Poland had a different farming system. When there are 2.8 million small farms, it is practically impossible to equip all of them with tractors and a full set of attachments. Besides, most farms could not afford such equipment or take advantage of other forms of technology anyway. The average farm size is slightly more than 5 ha and about half of all farms have no horses or other technical equipment. They are for the most part weak organisms which are not capable of changing to intensive forms of farming on their own. But whatever is said about those farms, they simply exist and they are protected by a law guaranteeing the continuity of this type of land ownership. On the other hand, the owners can hardly be blamed for not having larger farms. The history of the Polish countryside is simply such as it is and no other. Also in the period of socialist rule, no firm policy of structural change in farming has been followed. Even today, there is no clear policy on the matter. However, the theory of the family-run private farm predominates.

It is hard to imagine turning every peasant farm into a veritable fortress of technology.

Another argument in favor of a sensible policy of industrialization of Polish farming is the size structure of the farms and the availability of agricultural equipment. For over 10 years, and especially since 1980, the emphasis has been on individual forms of mechanization and other kinds of progress. This has led to a decline in the role of collective forms, such as farmers' circles. At the same time all the surveys indicate that in a private farm the average tractor is used for only 50 percent or so of the nominal worktime. The same could be said about other machines and equipment that are privately owned and not leased out against payment. The result is an enormous surplus of unutilized equipment. [...]

The gap between Poland and the Western capitalist countries is not that big: the number of hectares of farmland and orchards per one tractor was 7.7 in Belgium, 14.6 in Denmark, 12.3 in France, 37.4 in Spain, 41.0 in the U.S., and 20.1 in Poland. Among the European socialist countries, the corresponding figures ranged from 33 in East Germany to 95 in Bulgaria. The bigger the farm, the smaller the number of machines per unit of land. Also the structure of agriculture and technical specifications of the machinery are different. Meanwhile, a search for the proper farming policy has been under way in Poland for 40 years (or has it?). There is no conception whatsoever with regard to mechanization of farmwork. At any rate, I do not consider the tendency to mechanize every farm as such a conception. The dominant policy in the world is to leave the technical equipment to specialized outside contractors. There have been many experiments in farm mechanization, from neighborly help to gmina machinery pools, to farmers' circles to cooperatives supplying farming services; now there are plans to turn over the cooperative machinery pools to private commission holders. Alas, any socialized form comes under heavy fire after a short trial run, and is subsequently abandoned.

There has been so much incompetence in this respect and the sums spent on such undertakings are incalculably high. One conclusion can be drawn from this: that all this time we have failed to appreciate the value of social solution (I'm leaving aside the term "socialist") while giving undue attention to private, individual ones. [...] The level of productivity in farming does not prove that this is the most desirable direction of development. There are still huge differences in the productivity of individual private farms, and 18 percent of them do not sell any produce to the state at all. The fact that some 15 percent of the farms are prosperous does not solve the problem but, on the contrary, aggravates the class stratification of the countryside.

Increasingly often, the media publicize the view that Poland's food problem is a result of the so-called doctrine of socialization of farming, which was allegedly in force throughout the years 1950-80. I cannot share that view—it simply is not true. I am not saying this to defend somebody or something. Since 1954, there has been a gradual retreat from the conception of the socialization of agriculture, and since 1956 no such doctrine has actually existed.

[...] Of course, in practice the running of agriculture through government decisions and regulations, it is possible to adopt tactics that will objectively enhance or delay the development of socialist construction in the countryside. In many instances farming policy paid too little attention to the interests of private farm owners. In the years 1971-80, preferential treatment was accorded not to the average farmer with 5 ha of land, but to owners of huge, specialized farms. The authorities have taken sides with the economically healthy.

A large majority of small and medium farm owners find it difficult to fulfill their production plans and private ambitions. From the class point of view, this is hardly a cause for pride in a state claiming to be a

socialist one. The development of state-run and cooperative farms was also assisted by the state. After 1980, the social ownership of farms came under fire, not for the first time. In these circumstances, is it possible to talk of a reigning policy of socializing farming?

Another misunderstanding concerns, in my opinion, the constitutional guarantee of the continuity of private land ownership. Some people tend to treat this recent constitutional amendment as a dogma; from the theoretical point of view, this is a grave error. It is necessary to distinguish between two things: scientific socialism and the actual level of development of socialist relations in the state.

Poland is still at the transitional stage and the degree of development of socialist relations differs from one area of life to another. In agriculture, socialist relations are the least developed and widespread. Although even here, we are dealing with enormous differences. At a time of building socialist relations, it is extremely important to solve individual problems in a wise and calm way and especially in keeping with the reality.

Socialism is not built in a day. Socialism is a social process but at its roots are solid and stable principles. The main features of the socialist system include the public ownership of the means of production, socialist relations of production and people's democracy. To replace these principles with other ones in practice means a departure from the principles of socialism. The value of individual solutions is proved in practices but the point is that these must be socialist forms and that they must not be replaced by other ones. This is the root of many misunderstandings.

The Poles are an impatient nation. We want to have everything quickly, while at the same time we have a tendency to correct everything, especially the principles of socialism. This is almost a national trait. This peculiar mania for "improving" these principles concerns the conceptions and the specific solutions at the introductory stage. If the same principles were applied in industry, we would probably never be able to produce any ready-made products. It is possible, even necessary, to improve on the things that do exist and that have been tested in practice, not the other way round.

For example, far too little attention is paid to improving the activity of specific state or cooperative farms, farmers' circles, and so on, while no time is wasted in taking extreme, far-reaching decisions. However, it is well known that if a given system is to start working, it takes many years of hard work, the coordination of diverse factors and the involvement of generations of people. But here in Poland, we judge the appli-ability of the cooperative system of farming after a year or two. If we then find out that something is not working compared to the previous system, we abandon the new system altogether. In my view, this road leads nowhere.

The fraternal socialist countries are using the theoretical principles of Marxism-Leninism while, at the same time, perfecting practical solutions. This is the only correct course to follow. At any rate, if we compare the results attained in Poland with those in other socialist countries, we are behind in almost every respect. Therefore it is difficult to argue that the departure from scientific socialism and the application of old, outdated solutions is going to solve our problems and lead to dynamic development. One might say that we still believe in magic and maintain that the outdated system of small private farms is going to guarantee an abundance of food.

The tragedy is that a specific experiment is under way all the time and that society is paying the price in form of the hardships of daily life. Queueing has become a way of life in Poland. The widespread view is that profit is the target of any activity and that human needs do not count anymore. Surely it would be valid to analyze this approach and to see if it is correct.

The proper interpretation of the constitutional amendment regarding the lasting character of peasant farms is simply that the state respects this form of ownership and will not seek to change it by force. But if Poland is to remain a socialist country, it must solve the problem of agriculture some time in the future. The ideological declaration adopted at the PZPR National Conference said: "The stability of the principles of the farming policies does not close the door to the voluntary establishment of peasant teams developing large-scale of production. The party will encourage the consolidation of state farms and the development of cooperative forms of farm ownership. They should be the centers of development in production, social progress and the improvement of living and working conditions in the countryside." This shows that the PZPR has not given up the idea of the reconstruction of farming. Of course, there is more theory than practice here. Therefore there is no need--nor does it serve any useful purpose--to claim that socialist solutions are the worst thing that could have befallen on Poland.

In recent months, articles in the press have been praising the vision of prosperous villages from which small farms will disappear and big family holdings will predominate. According to some forecasts, public-sector farms, i.e., the state-owned and cooperative ones, will either disappear or their role will be reduced to insignificant proportions. It is widely claimed that the peasants will continue to be interested in purchasing more land, which implies that huge state-owned farms have no chance. The acceptance of the principle of the continuity of private farm ownership is to signify the adaptation to the laws governing the development of this form of ownership, i.e., the law of the concentration of production. This is a peculiar interpretation of the Marxist law of concentration. In socialism, the process of concentration concerns production organized on the basis of social ownership. Any other form is a drift in the direction of capitalism.

The changes in the system of private farming go in both directions: apart from the emergence of bigger farms there is the process of division of existing ones and the creation of dwarf holdings. [...] The adoption of the concept of a family farm for the next 40 years (as some authors suggest) as the main or the only form of farm ownership would mean the sanctioning of the outdated structure of Polish farming. This would practically cut off the Polish countryside and farming from the modern changes that the contemporary development of science and technology can bring. Nevertheless, the rural population itself is not interested in such a process. The young generation does not want to tie its fortunes to old methods of work and life and willingly migrates to other trades and sectors.

The claim about the alleged "immense interest" of farmers in purchasing land and increasing farm size is also an illusion. The boom in land purchases that occurred in the years 1981-1982 is over and is unlikely to return soon. Today the demand for land is already lower. In 1981, private farmers purchased 165,000 ha of land from the state, in 1982, this rose to 240,000 ha, in 1983 it dropped to 101,000 ha, and in the first half of 1984 farmers acquired 28,500 ha.

The diminishing interest in purchasing land is also confirmed by questionnaires. More farmers are also turning their land over to the state. Here a drop to 37,000 ha in 1982 was followed by an increase to 42,000 ha in 1983, and this tendency continues. The authorities of a number of voivodships have reported a growth in the amount of fallow land. However, the point is to avoid a return to the theory of building socialism on the principle that socialist forms are introduced only when peasant farms are falling down or when peasants do not want to run their farms in given conditions. The socialist sector should be developing in a natural way, without force or interference, but with active help from the state.

Since 1956, peasant farms have been developing without facing obstacles from the system. If the latter do exist, then they concern the mechanisms of control only. Who needs the passionate defense of peasant farms? Nobody in Poland proposes or plans to take up an all-out struggle against private farm ownership. However, it is enough to speak or write in friendly terms about modern forms of farming organization and immediately somebody starts an uproar, alleging that one wants to announce universal collectivization, liquidate the peasantry, and so on. However, what are the self-proclaimed defenders of the peasant class defending? They are defending slave work, primitive living conditions, backwardness, the perennial village conflicts, in other words they are defending 19th century social relations at the end of the 20th century. In the name of what? Humanity? No. Decent working and living conditions? No. Then what is left but political and ideological considerations? It is to be hoped that the constantly improving work of the state and cooperative farms will become a sufficiently convincing argument, especially for the younger generation, who increasingly reject the old pattern of life.

Letters From Readers

AU301700 Warsaw POLITYKA in Polish 26 Jan 85 p 7

[Roundup of readers' letters: "Controversy Around Farm Policy"]

[Excerpts] Last year's Issue 48 of POLITYKA carried an article by Professor Konrad Bajan, head of the Agricultural Policy Institute of the Academy of Social Sciences, entitled: "Controversy Around Farm Policy," which discussed collectivization of farming, among other things, and which has elicited a lively response on the part of our readers. We are publishing some of their letters below.

From K. Reluga of Zacharzyce, Wroclaw Voivodship:

Previously industry and, less frequently, wisdom and honesty were the distinctive features of the farmer (peasant). Now the peasant has become wiser (through changes) and his industry is still there, but as for professors, things are worse!

I am for socialist changes in rural areas for the simple reason that I see that the farmers in state farms and producer cooperatives have to work less and can live better. I agree with Professor Bajan that the Polish peasant has to work hard and enjoys living standards that are not too good, except for some specialist farmers. However, I want to concentrate on the issues about which I do not agree with Professor Bajan.

It is not true that the state has continued to abandon the concept of collectivization ever since 1954. It has not, because who was it that fed money into the bankrupt state farms and producers cooperatives? Who was it that restricted the sales of land to farmers from the state land fund? I do not believe that the state would oppose establishing producer cooperatives, unless "cooperative" swindlers were involved. But do you know what enormous sums of money such advocates of socialization managed to wrest from the state? One has to be blind and deaf not to be aware of this!!!

The professor is sorry that since 1980 the state has stopped feeding money into the socialized sector of farming. But does the state subsidize individual farmers?! The peasant-worker has to subsidize himself. So why this sorrow?

Perhaps during the period of Solidarity people attacked the state farms and wanted them to be divided among peasants, but to say that the state wanted to agree to this is some mighty misunderstanding!!! I think that if the creators of socialism could speak from their graves, they would say: "It is necessary to wait with the socialization of Polish farming. Socialization has to be slow." Slow socialization would be in line with the state's present farm policy! Yes sir, professor. Farmers want to buy land. Land is a sought for commodity. In our village as many as

seven farmers and nonfarming people want to buy 1 hectare of land that is still available! The land that lies fallow in mountainous areas and in the east of the country lies fallow for other reasons!

From Marian Janiga of Gorlice:

Mr Bajan says: "I view the departure from socialized farming as an erroneous decision, one which has sanctioned the anachronistic conditions in rural areas and, above all, their backwardness." However, reality has shown that politicians were and are helpless in the face of the Polish phenomenon of farming.

In Poland people vote rather often with their "feet." They vote so when they leave the country (emigration for political reasons or to earn money abroad is now a fact, which is being kept secret as something shameful) and young people vote so when they leave the rural areas to live in towns. Girls are especially prone to do so as attested by the fact that farmers find it difficult to find wives. All this means that you can have various political plans, but if you have no one who would willingly implement these plans, the policy comes to nothing. This was and is so with the collectivization of Polish rural areas. You can have collectivization by depopulating villages and through the aging of farmers, but this may result in starvation of an entire generation or even two generations. Farm policy has been a live experiment carried out on all the Polish people in the lifetime of several generations.

Some politicians make too facile and careless statements about various farm problems and do not try to find alternative solutions, although alternative solutions seem to be the thing now. The town dwellers have needed so many years to accept at last food price hikes and to help raise in this way the living standards of the "village yokels." Unfortunately, the Polish village has few protectors in the urban areas, because the entire worker class and the intelligentsia want their "grub" to be cheap. No one has cared a rap that this cheap food has had to be produced by farmers making back-breaking efforts. Only the massive flight of young people from rural areas, the wearisome food rationing, and the food shortages have showed us what the situation really is. The exceptionally good weather in the past 2 years has produced good harvests, but certain experts in farming think that this was due to stimulated agriculture and that therefore ration cards can be abolished. All we need is just 2 successive years of bad weather to expose in a most glaring way the defects of Polish farming and to bring back the specter of empty larders, what with the present birthrate in our country.

From Edward Krawiec of Krakow:

Although POLITYKA categorically dissociated itself from Professor Bajan's article, I wish to praise it for having surprisingly published the views that are in conflict with its professed and propagated revisionist propaganda! I appreciate that you had to overcome enormous inner resistance

when deciding to publish the article in question. I thank you for this decision alone! As for Professor Bajan, I want to express my special praise for him and my thanks to him!

It is above all private farmers who should be grateful to the professor because he told them the truth and only the truth about the 40 past years of Polish farming and because he posed many questions and gave answers to them. They should be grateful because the professor intimated to them that as owners of their family farms (no matter how large) they are... their "own" laboring slaves, who toil up to 18 hours round the clock and who become old men at 45. The world has discerned the benefits of the division of labor a long time ago, but we in Poland still continue to convince the individual farmers that it is honorable to work "round the clock" for very little as long as they work their own property. We continue to tell them that such work means raising the "dignity" of man and amounts to an almost "patriotic way of life." And so our farmers continue to toil, without proudly raising their shrunken foreheads. Apart from 4-5 hours of sleep a day and the Sunday visit to the church, they see almost no life and the farming results they obtain are as poor as their lives. The "kolkhoz workers" in the neighboring countries work incomparably fewer hours and live as one should live. They work, but they have time for rest, recreation, and a long sleep. And their countries, despite bad soils, produce incomparably more crops than we do. Some of them can even export their produce. And we? Let us not waste words....

From Stefan Strychalski of Bukowiec:

The thing that worries me most is that Professor Bajan recalls the beginnings of the 50s with such fondness and is sorry that those times were so soon over. He should be ashamed of such a stand. That period is a blank stain on our history, because officially it is called merely a period of distortions. However, we should not make a secret of the fact that during that period many Polish peasants were being persecuted only because it was impossible to make them accept the (...) [probably a scatological adjective omitted] changes in the rural areas. Glorifying that period is amoral and amounts to a slap in the Polish farmer's face.

Professor Bajan also grumbles about the fact that the principles of scientific socialism are being modified all the time. Although I am only a farmer, I think that the principles of socialism should not be made into something like gospel dogmas. They should be treated as something alive and adaptable to changing conditions.

Professor Bajan is surprised that the present government believes in the obsolete system of small farms. I am not surprised. What is more, I am convinced that private farms, including even the smaller ones, can be highly productive. Low productivity of private farms is not the result of a law. It is the result of the flight of young and clever (educated) people to the urban areas, because they were being told that the urban areas needed them. This low productivity has also been caused by bad wage systems, which still continue to swell the ranks of bureaucrats and of the people chasing easy wages.

From Graduate Engineer Stanislaw Pietryka of Swkiecie:

My father owns a medium-sized farm. After graduation I worked on state farms, then in state administration, and now I work in a seeding plant.

Professor Bajan's entire article was written from the position of a Marxist-dogmatist who is convinced that socialism in the rural areas is tantamount to totally socialized farming. I cannot agree to such a view. I am wholly for socialism in the rural and other areas, but to me socialism is something else: The socialization of farming may be, but does not have to be, the only road to building socialism in the rural areas.

Will the Polish people in the rural areas and elsewhere support socialism if it is responsible for food shortages and for high food prices? Our farming achievements would certainly have been larger if the billions and billions of zlotys poured into giant farms, which are now obsolete, had been assigned to land reclamation, water pipelines, roads, and so on.

In view of this, what kind of farm policy should we have? I think that it should shun any kind of dogma, such as either private farming or socialized farming. In line with the farm reform, all organizational forms of farming should be developed and backed in accordance with local conditions. It goes without saying that if farmers want to set up a producer cooperative, they should be helped to do so, but they must not be forced to do so.

From Szczepan Pieniazek of Skierniewice:

"We assume that in 1949 and certainly in the following years there will be far more farmers willing to set up producer cooperatives than it will be possible to set up with our present machinery base and funds. That is why it will probably be necessary to classify these willing farmers and put them in line, so to speak, in order to allow only the most efficient to set up producer cooperatives."

This is what Minister Milary Minc wrote in 1948. People like him--people so familiar with the mentality of the Polish peasant--made decisions as to what was best for the peasant. Konrad Bajan's article shows that his knowledge of the present-day Polish peasant is just as good as Minc's was in his time. I would not care a whit about Bajan's knowledge if it were his private business. But as things are, I am most saddened by his knowledge. After all, Professor Bajan is head of the Agricultural Policy Institute of the Academy of Social Sciences and has for years been graining in this spirit the young people who have graduated and assumed ever higher posts in state administration and party echelons.

Professor Bajan laments the low productivity of the Polish small farms. No one is able to calculate how far his former students are to blame for this. Being convinced of the hopelessness of small-scale farming, these former students have tried in every possible way to make the peasants loathe this kind of farming and to make it as difficult for them as

possible so that in the end they would understand that their resistance was futile. It would be interesting to know how far Bajan's teachings have been responsible for the decisions in line with which only 6 percent of our industry's output was provided for our farming, whereas the Western countries provide 25-30 percent and the socialist countries 15 percent of this output. These decisions explain why the average size of private farms has increased very little in the past 40 years. How could it increase when no machines were available to cultivate larger areas of private farms?

I have strong links with the rural areas because of my job. I have found it very difficult to talk with the peasants when they kept saying: "Those officials in gminas, powiats, and voivodships keep telling us that we are still needed, but not for long, because the future belongs to producer cooperatives and state farms. The entire state policy is aimed at promoting large-scale farming, and we are being left out in the cold."

Those have been bitter words in the past 40 years, even though they have not always been correct and have at times been exaggerated. Nowadays people in rural areas do not talk like this, although they are still aware of those 6 percent. People are right when they grumble about the technocrats. It is not true that, as Professor Bajan wrote, it was the politicians rather than the peasants who fought for an amendment to the Constitution to guarantee the future of private farms. The peasant politicians, who have a better knowledge of the Polish peasant than Bajan and Minc, fought for this amendment. The peasants are more assured on account of this amendment that the constant and burdensome persecution of private farming will not be able to harass them as much as has been the case up to now.

CSO: 2600/551

POLAND

NEW AGRICULTURAL TAXATION SYSTEM EXPLAINED

Warsaw ZAGADNIENIA I MATERIAŁY in Polish No 47, 22-28 Nov 84 pp 8-11

[Article by MAS: "Agricultural Tax: Reform of the Agricultural Tax System"]

[Text] On 15 November, the Sejm adopted new laws concerning agricultural tax and gmina and city funds. These radically change the agricultural tax system that had been in force, with partial modifications, for 20 years.

The standards of estimated income per hectare, which had thus far been the basis of assessing charges, established in 1961, had been maintained at the same level. At the same time, production and selling prices of agricultural products rose, and the ratio of tax charges to the value of agricultural production dropped rapidly, particularly in recent years. In practice, the tax lost all the traits of an economic instrument for producing the desired trends (changes) in the size and structure of farm production and technical equipment.

Basic Principles of the Agricultural Tax

Work on the new tax continued for almost 2 years. It was the subject of many discussions and consultations.

How then, in the final analysis, do the new principles of agricultural taxation look?

--A single, joint tax was adopted which includes three formerly existing types of charges, specifically: a percentage land tax and a quota land tax designated for the Agricultural Development Fund and for the gmina fund.

--A uniform tax was established for all agricultural sectors. This means a practical realization of the principle of equal rights for sectors, contained in the resolution of the Ninth Extraordinary Congress of the Party.

--So-called linear land tax was introduced; this means a uniform tax on each hectare, regardless of the size of the farm (a nonprogressive tax). This should promote the process of concentrating land and increasing the size of the farms.

--At the same time, a separate tax was introduced on highly profitable, so-called special sectors, specifically, culture under glass (greenhouses, frames) and in foliage tunnels, cultivation of mushrooms, flowers and flower seeds, fruit shrubs and herb plants, tree and ornamental shrub nurseries, apple orchards, poultry and fur farms. On incomes from this production which do not exceed 400,000 zlotys annually, a tax assessment of 10 percent of the income subject to tax will be levied. On incomes exceeding 400,000 zlotys annually, a progressive tax will be levied, the scale of which will approximate the progression levied in the universally binding, so-called equalizing tax.

--A principle was adopted that the basis for setting the amount of agricultural tax on land is the a so-called conversion hectare. Converting physical hectares (surface area) to converted hectares will be done by taking into account the quality (class) of the soil and registration of the farm in a specific tax district. There are four such districts. Individual administrative units (gminas, cities, city districts) will be registered in districts, depending on economic and production-climate conditions.

Division into tax districts will be done with consideration for the level of economic development of the region (urbanization, industrialization, infrastructure development), variability in climate conditions and configuration of the terrain (hilly and mountainous areas) and other similar criteria.

The system of conversion factors is being established in such a way that it creates significant tax relief for the poorest soils. This principle was proposed many times by the farmers. It is based on the lower yields from poor soils and the higher rate of fertilization required for these soils per unit of production.

The effect of the conversion factors can be illustrated by the following examples: a physical hectare is equal to a conversion hectare of class IV arable soil located in the second tax district. A physical hectare of the highest soil classes, classed I and II, located in the first tax district is equal to 1.90 and 1.75 converted hectares respectively. In turn, physical hectares of the worst soils (classes V and VI) located in the most difficult production and economic district, tax district IV, are equal to 0.35 and 0.05 converted hectares.

--The principle was adopted that tax be expressed in constant values, in quintals of rye as the grain most widely cultivated in our country. The intended amount of this tax will exceed the monetary equivalent of 2.5 quintals of rye for one converted hectare. Reaching this projected amount is divided into three stages, specifically: in 1985, the tax will have a monetary equivalent value of 1.5 quintals of rye; in 1986, the equivalent will be 2 quintals of rye. The time for activating the end goal of the tax, the equivalent of 2.5 quintals of rye, has not been determined and this will be decided by the Sejm in a separate resolution.

The official contract purchase price as of 1 January of each tax year will be used as a basis for setting the monetary value of rye.

In practice this means that if the purchase prices rise, there will be an automatic increase in the tax on each converted hectare.

--Various kinds of tax relief are anticipated. They are connected with the development of the farm (acquisition of land, investment, modernization, etc.) and its situation (in hilly and mountainous locations production is more difficult and costs are higher).

Tax relief will also serve in the case of elemental disaster or if the person managing the farm is called to basic (or substitute) military training.

The amount of this relief is significant, therefore the Council of Ministers has been authorized to specifically set the amount and method of granting this relief.

--It was established that a significant proportion of the income received from the agricultural tax will be designated for financing projects connected with the development of the village and agriculture. Thus, 40 percent of the agricultural tax will be designated for gmina (town) funds. Of this, 60 percent will be at the disposal of village self-government for the purpose of financing those projects that have up to now been financed from the Agricultural Development Fund. In this way, while the system of financing is different, in practice the funds for creating the Agricultural Development Fund have been retained (although changed). A part (40 percent) of these funds will be at the disposal of peoples' councils at the basic level.

The fact of placing these funds at the disposal of the village self-government and the peoples' councils constitutes a material support of new, broad legal authorization for these organs. In other words, the role and competency of the peoples' councils and self-government will be supported by large funds.

--The bill anticipates a complete release from taxation of the poorest soils included in class VI. These comprise approximately 12 percent of the total agricultural land area. This has been undesirable land that has gone largely unused. This is a significant production problem. Freeing these lands from taxation should create motivation for their better exploitation and inclusion in continuous use.

--The new tax system is characterized by flexibility and creates the possibility for various corrections as conditions and production needs change.

Thus, for example, the Council of Ministers may make changes in the estimated norms of income for special sectors, setting the tax for special sectors and the limits of the tax not included in the tax progression.

Provincial peoples' councils will make the necessary changes in registering gminas in a tax district or registering specific villages in tax districts other than the district in which the whole parent gmina is registered.

The Council of Ministers may release from taxation other lands than the ones specified in the bill itself. Significant authority has been given the Council of Ministers in the area of granting tax relief in specific cases.

Finally, the Sejm did not specify the time at which the highest level of the tax rate (2.5 quintals rye per hectare) would become effective, leaving this matter for a separate decision, which will undoubtedly be made with consideration of the development of the production and economic situation of agriculture in the coming years.

The new tax system was adopted with the intent that it be long-term and effective. But life creates new situations and conditions. Needs also change and together with them, the appropriateness of the changes in rates and tax preferences.

In summation, the new tax system will give preference to good farmers and to attaining increasing income, obviously connected with increase in production. It favors increasing the size of farms and improving their technical equipment. It also takes into account variability and therefore the objective conditions of farming.

#### ...And the Gmina (Town) Funds

An inseparable part of the new tax system are the gmina (town) funds.

Actually the institution of gmina funds is not new to the Polish village, but the sources of the funds' creation and the purposes for which it is expected to be used are changing radically. Its managers are changing as well.

The basic source for creating these funds will be income from the agricultural tax. As has been mentioned above, 40 percent of the total agricultural tax income will be designated for this purpose.

It must be stressed that write-offs to the funds will include income before it is reduced by the tax relief granted to farmers. This will counteract the possible tendency on the part of administrative organs to limit the period of granting relief for fear that income for the gmina fund accounts will be decreased and will result in the situation that the proportion of the funds designated for the gmina funds will, in practice, increase up to about 50 percent of the taxes actually collected (after allowing for the tax relief granted to farmers).

The amount in the gmina funds will increase in the coming years to the extent that prices increase and, as a result of this, the monetary equivalent value of the tax set in quintals of rye will increase.

An alternate source of income for the gmina funds will be the budget funds designated for social help and social projects. The next important source of income will be charges levied against individual socialized farms and

individuals and legal entities involved in production, commerce or service activities, as well as charges levied against owners of real estate.

These are, therefore, continuously growing sources for creating this fund. It will be designated for financing the extensive sphere of activity connected with meeting the production needs and social needs of agriculture and residents of the village (town).

Specifically considered, the funds are designated for three purposes:

--investment serving the development of agriculture (purchase of machinery, equipment, transport equipment, etc.); this is a continuation of the goals financed formerly by the Agricultural Development Fund;

--construction and maintenance of the facilities of the local infrastructure (water supply, conservation, cultural, educational and sport facilities, etc.);

--financing of a broad social sphere (community assistance, grants, improving living conditions of the most needy residents, improving social conditions of children and youth and other similar purposes).

The gmina funds are not the sole source of financing this group of needs. Development of the basic social and economic infrastructure will be, as before, financed from the budget and other sources. In the last analysis, however, the fund, as a whole, will be a stable base for financing self-government activity of residents in their own territory.

#### Why Now?

The new tax system will take effect on 1 January 1985. It will be introduced in stages. In practice, it will be introduced over a 3-year period and the time will depend on when the Sejm makes the decision on levying the final, highest rates.

The new charges will be effective when agriculture has gone through 2 good years. The system is being introduced, therefore, in a relatively good general economic situation of agriculture and earlier discussions and consultations have, to some extent, prepared farmers and administrative organs for the practical implementation of the new tax laws.

In the course of the Sejm discussion of the proposed laws, attention was given specifically to this aspect of the matter. As a whole, the new tax bases mean an increase in charges levied on the village. But at the same time we must remember here that the tax in the middle of the 1950's (1955-1956) was equivalent to four quintals per hectare; in the first half of the 1970's (1970-1975), it was actually only about 2.5 quintals per hectare; then, in connection with the fact that the charges were fixed and purchase prices rose rapidly, in the last year it was approximately 0.5 quintals per hectare. Thus, the end level of charges (2.5 quintals per hectare) estab-

lished in the new system means a return to the state at the beginning of the 1970's.

Greatly abbreviated, this is how the new agricultural tax bases look. We will be back with a more detailed discussion of some of the new tax rules.

2950  
CSO: 2600/406

POLAND

TASK FORCE CONFERS ON EXPORT SALES PROBLEMS

Warsaw RZECZPOSPOLITA in Polish 6 Dec 84 pp 1, 2

[Article by Tomasz Bartoszewicz: "Export Production Does Not Go Beyond the Needs"]

[Text] At the current meeting of the Coordination Commission on Economic Cooperation and Scientific-Technical Exchange with Foreign Countries, which took place on 5 December 1984, the situation existing in foreign trade turnover was discussed. The chairman of the session was Deputy Premier Janusz Obodowski.

The rate of increasing exports is still higher than the rate of increasing sold production in industry. During the 10 months of this year, the volume of exports increased by about 5.7 percent. This is testimony as to how large an effort the national economy has made for foreign trade. Although this is generally a positive picture of the situation, we still can observe some alarming occurrences. For example, it is said that the export plan for electromachinery to the second payments area will not be achieved this year by about \$550 million. This gap will be made up partially, however, by higher exports in other areas. We shall receive around \$300 million less than was predicted in the plan.

The situation existing in imports has improved, especially in the area of raw materials for production. It will increase (purchased for free currencies) by about 11.8 percent, which should see an increase in many areas of material production. Also, imports for market needs have increased during the first 10 months of the year by about 24.6 percent for the second payments area and by about 14.6 percent for the CEMA countries.

An unfavorable price relationship still exists in foreign trade. In export, the free currency prices are lower by about 7.4 percent. But this is a result of the high dollar against other currencies.

Lower prices also are in imports (7.1 percent). The structure of Poland's trade turnover with the West is that our exports (mostly raw materials and semifinished products) are exposed to fluctuating circumstances. It should be noted, however, that we have observed better prices than had been the case previously. This is tied to the revival of the economy in the majority of the Western countries.

As regards trade turnover with the first payments area, prices for imports are higher by around 6.1 percent and exports by around 5.0 percent.

Stanislaw Dlugosz, deputy chairman of the Council of Minister's planning commission, suggested that the council evaluate the issue of accumulated free days from work in December. Many plants have a tendency to have "holidays" for the period from 24 December to 2 January. This is also a period of especially intensive shipping of goods for export within the framework of international agreements. As a result, Deputy Premier J. Obodowski stated that he will contact ministers and the directors of enterprises to ensure that they meet their export obligations this December. The council authorized the foreign trade minister to grant annual export bonuses for accomplished results in the last month of the year.

The commission also considered Poland's economic relations with the underdeveloped countries. The underdeveloped countries want to increase their exports of industrial goods and are not inclined toward countertrade agreements of Polish machinery for raw materials, which are their principal source of convertible currency. Increased import of their raw materials for our machinery is becoming more attractive.

9807  
CSO: 2600/331

POLAND

BRIEFS

TRICITIES PORT TRAFFIC--The Tricity ports have realized their planned 1984 tasks already in November. Nonetheless, they continue to work at full capacity. On 4 December Gdansk and Gdynia had four ships moored. Stevedores unloaded almost 400,000 tons of commodities. In North Port, coal-loading facilities are working at full capacity--50,000 tons in 24 hours. The "Gorlice" brought in 1,030 tons of raisins for the holidays. Both Gdansk and Gdynia have let it be known that they will be working at full capacity to the end of the year. Total tonnage at Gdansk in 1984 should reach 21 million tons, and at Gdynia 11 million tons. [Text] [Warsaw TRYBUNA LUDU in Polish 5 Dec 84 p 1] 9807

CSO: 2600/331

ROMANIA

PLANS FOR EXPANSION OF TELEPHONE SYSTEM

Bucharest LUPTA CFR in Romanian 26 Oct 84 p 3

[Article by Stelian Pintilie, deputy minister of transportation and telecommunications: "The Highly Responsible Task of Developing Telecommunications"]

[Text] The draft directives of the 13th RCP Congress attach a particular importance to the role of electronics, industrial automation, and data processing systems, for which transmission support--telecommunications--is decisive.

The basic aspects of the new scientific-technical revolution in which our country is involved will in the future be handled through data processing with the aid of our national telecommunications network, whose infrastructure is under construction and whose transmission capacity will be developed.

The draft directives of the 13th congress envisage a 30-35 percent increase in post and telecommunications activities in the 1986-90 5-year plan and a qualitative leap in addition to quantitative development, which is to be accomplished through extensive use of new telecommunication techniques. Programs have been established along this line dealing with research and introduction of electronic telephone exchanges, digital transmissions in special cables, coaxial cables, radio transmissions, and optical fibre cables. There is no doubt that telecommunications and the new telematic services, data transmissions, and telecommands will produce incalculable economic effects in all the branches of the national economy, which is also developing on the basis of modern automated and electronic technologies.

In the coming 15 years telecommunications will undergo obvious changes due to the expansion of digital transmissions and switches. The progress made in technology, especially in microelectronics, have made digital transmissions more competitive than analogous systems. The technical-economic studies that the general directorate of post and telecommunications will issue on the introduction of digital transmission systems will define the policy and strategies that are to be implemented to further develop our telecommunications networks through the transition stage of mixed analogous-digital networks, and will specify the basic technical conditions that are

to be met by the new equipment that is to be built in our country. These studies, worked out in cooperation with MIMUEE [Ministry of Machine Tool Building and Electrical Engineering], will bring us up to the level of our technologies, as well as to the level of the CEMA cooperation program.

The current 5-year plan which, in accordance with the documents of the 13th party congress, is marked by the scientific-technical revolution, has allowed us to achieve various research projects and to produce and exploit new telecommunications equipment. Thus, 27 research studies have been finalized so far, such as: electronic registers for the 7A2 telephone exchanges of the Bucharest municipality network; equipment for the control and disturbance diagnostic center of the Crossbar Pentaconta exchanges; equipment for timing local telephone calls; semielectronic telephone lines concentrators; p.c.m. [expansion unknown] systems and multiplex equipment for sound and telephone tracks; mechanical parcel processing at the Cluj postal transit center; installations for rectifying postal correspondence objects; television excitors with radio frequency exiting for transmitters; short wave amplifiers and distributers; size couplers for radio transmissions on 2-4-6 GHz bands; service channel equipment on radio transmission lines; transistorized video units for low power blocks on television transmitters.

As it emerges from the draft directives of the 13th congress, scientific research is becoming the fundamental criterion of development of technology, technological systems, and scientific organizations of all industrial and socioeconomic processes. Consequently, the research program in the area of post and telecommunications is geared on the following objectives: developing the network of digital transmissions; increasing the transmission capacity of telephone cables; developing automatic telephone exchanges; implementing the network of data teleprocessing; developing the radio and television network; mechanizing and automating the mail and press distribution netowrk.

As far as the telephone network is concerned, in the 1986-90 5-year plan we will give priority to developing the digital network by intensively utilizing the existing means of transmission (trunk and interurban cables) with a view to saving copper. We will also introduce optical communication equipment within the framework of CEMA cooperation ventures and in cooperation with research institutes of the ministries involved in the domestic manufacture of glass fiber cables.

In order to improve service quality and to increase maintenance efficiency, district centers will be established to control, supervise, and coordinate the technical exploitation of automated telephone exchanges; that will help reduce the number of disturbances and the duration of circuit downtime, thus helping to reduce income losses. The system of centralized maintenance and supervision will be connected to the international system of telecommunications guidance, thus ensuring the flexibility and efficiency needed to handle telephone traffic in accordance with the technical and exploitation conditions envisaged in CCITT [Research and Technological Engineering Center For Telecommunications] norms and recommendations.

In the areas of radio and television, the program established reflects priorities such as: modernizing the network of television transmitters and translators, for color, too, and modernizing radiant systems, developing digital equipment for transmissions through radio relay, and developing command, telesignal, and measurement equipment for radio relays and television.

The provisions on the development of telecommunications in the 1986-90 period are designed to ensure post and telecommunications services for the national economy and for the public, to increase the degree of automation and mechanization of post and telecommunication activities, and to expand the territorial reach of radio and television programs.

The volume of post and telecommunication activities will be 30.5 percent larger in 1990 than in 1985 due to the better utilization of the existing material-technical basis and to the commissioning of new facilities. We also plan to increase, diversify, and improve all postal, telegraph, telephone, radio, and television services. Thus, in the area of trunk telephone exchanges, the introduction of high-capacity electronic exchanges will offer customers the following options: automatic call transfer to another telephone outlet by communicating the respective number to the exchange memory; wake-up call that the customer orders by dialing a certain prefix and the call hour he wishes; group telephone calls for teleconferences; automatic detection of ill-intended callers; priority or urgent service, by alerting customers engaged in a telephone talk that an urgent call is waiting; abridged numbers for frequently called customers.

The telephone service is planned to run continually and the network is designed to handle peak-hour traffic. In order to enhance the efficiency of the telephone network, we will seek to introduce data services and facsimile text transmissions on the existing network, and the teletex system on the telegraph network, which involves the rapid transmission of texts with the use of the entire set of capital and small letters. In the area of radio and television we will broadcast additional programs throughout the country, utilizing direct satellite transmission and large-screen television sets for group viewing.

We will resolutely and consistently work to fulfill the tasks established for us under the directives of the 13th party congress and to further develop capacities while saving scarce materials and imported parts, reducing energy consumption, raising the quality of post, telephone, and telecommunication services, and increasing the degree of equipment utilization, aware that we will thus contribute to improving the quality of life, implementing the party program on building the comprehensively developed socialist society, and creating the conditions for the transition to building communism in Romania.

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ROMANIA

DISCUSSION OF AIRLINE PROBLEMS, SUCCESSES

Bucharest LUPTA CFR in Romanian 26 Oct 84 p 4

[Article by Petre Gheorghiu: "A Common Denominator: The Plan Fulfillment"]

[Text] The TAROM company is known as one of the prestigious components of the civil aviation department. The truth of this statement is demonstrated by the ability of its working collective to rally its forces at times of difficulty, so that, through simple and dynamic organizational solutions and methods, the plan can always be optimally fulfilled and domestic and foreign customers can be offered the best services.

We organized this round table in order to identify the major concerns of the TAROM company. Our discussion was attended by Livius Sabau, director of the company; Col. Constantin Nitu, secretary of the party committee; Lt. Col. Mihai Vasilescu and Lt. Col Andrei Tancu, deputy commercial directors, and Andrei Floroiu, deputy flight director.

Question: Comrade director, what are your current priorities?

Livius Sabau: One of our multiple and complex concerns is to meet all the requirements of our customers concerning both passenger and freight transport. In point of fact, I can tell you that our company has made a name for itself in Europe, and we strive to be as competitive as possible and to conduct our relations responsibly and professionally.

Our profit in the first 9 months of this year was 140.7 percent. We intend to end the year with the itemized production fulfilled 100.1 percent and the net production 102.5 percent. I would like to mention that our regular foreign flights traffic is designed to handle supplementary connecting flights, in addition to our own national passenger and goods transports, including tourist flights in third markets.

Several foreign companies have already chartered some of our aircraft. For example, Dan Air has taken a long-term lease on a Bac 1-11 serviced by Romanian technical personnel. We have the same sort of relationship with the Gas Company of Nigeria. I would like to emphasize the excellent professional attitude of our crews. Pilots such as Petre Potcovaru, Nicolae Iancovici, Stelian Rusnac, Nicolae Cireasa, and Gheorghe Racaru bring us honor and represent us competently abroad.

Question: Do we discern the role of party organizations in this appreciation?

Col. Constantin Nitu: That is indeed so, because more than 20 basic organizations, in general party meetings, and in the analyses carried out we placed great emphasis on educating the cadres and on helping them understand that they alone carry the responsibility for flight safety, and of course for the professional reputation we enjoy everywhere. As a rule, our analyses are aimed at implementing the decisions adopted by debating in depth party-state documents and internal regulations, in the conviction that a thorough political and professional training has a direct impact on the optimal fulfillment of the cadres' missions.

Lt. Col. Mihai Vasilescu: Each flight involves responsibility, demandingness, and moral integrity on the part of each pilot. TAROM believes that now, when the draft directives of the 13th party congress envisage particularly important tasks for the socioeconomic development of the country for all of us, we must conclude as many economic contracts as possible with foreign partners, and must show that Romanian civil aviation is capable of meeting all requirements at state-of-the-art level.

Question: The commercial sector has to deal with comfort, expediency, and efficiency requirements. Anything new in this respect?

Andrei Tancu: In view of the difficulties encountered in various foreign markets, we replanned our commercial activities so as to secure a greater flexibility from the viewpoint of foreign tariff systems. I would like to specify that currently, the flight load coefficient is over 80 percent, as compared to 50-60 percent until recently. Similarly, we made efforts to conclude long-term charter agreements and to secure contracts for our entire capacity.

Question: Flight preparation requires great responsibility. Can you give us some specifics along this line?

Andrei Floroiu: Responsibility is a sine qua non in flight safety. I do not have all the figures, but I can tell you that in 1984 we did not record any flight incident, and that from this viewpoint we are one of the best companies in Europe. We pay great attention to selecting and training our cadres by using our own and rented flight simulators, by ensuring complete crews almost without fail, and by securing excellently trained pilots for each flight. We have appropriate equipment and cadres devoted to their profession, and we benefit from the systematic and efficient support of the TAROM leadership, thus being in a position to harmoniously combine current and future tasks. For us each flight is a unique experience, and that is why we are always...tuned in.

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ROMANIA

DISTRIBUTION OF PRESS, MAIL IMPROVED

Bucharest LUPTA CFR in Romanian 26 Oct 84 p 3

[Unsigned Article: "Improving Postal Services in Accordance With the Requirements of the Public"]

[Text] In the course of the current 5-year plan, the general post and telecommunications directorate and county directorates have made progress in consolidating the network of Post, Telephone, and Telecommunications [PTT] subunits, which are now permanently at the service of the public.

In broad lines, the postal network features approximately 2,700 offices: about 650 in cities, and over 2,000 in rural areas. It should be noted that some county directorates have begun establishing post offices in communal seats; a conclusive example along this line is that of the Satu Mare county.

Simultaneously with this sustained activity, we would like to stress the endeavors of the managements of the general and county directorates to ensure that subunits are properly run, to strengthen order and discipline, and to create optimal conditions for the fulfillment of the income and services plan talks and for increasing labor productivity. Noteworthy are the successes achieved in this area by the county PTT directorate of Alba, Arad, Brasov, Galati, Ialomita, Neamt, Olt, and of the Bucharest Municipality Municipality.

Press distribution is another area of particular importance. Postal employees have developed a fruitful cooperation with trade and cooperative trade bodies in charge of retail sales of publications. Trade bodies have been increasingly canvassing market preferences and reporting on public demand for newspapers and magazines.

Currently, some 517 publications are distributed for each 1,000 inhabitants, a figure that has been continuously increasing. In the first 6 months of the year, overall distribution per issue increased by about 500,000 copies as compared to the same period of the previous year, due to the consistent efforts of the working collectives of county directorates; the above increase consists of new subscriptions.

In order to ensure efficient and rapid press distribution, the competent bodies have adopted an improved guidance plan. The plan also provides for an appropriate daily number of airplanes, postal cars, and air and motor transport runs, so that 88 percent of daily newspapers can reach the readers on the day of publication.

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